

Country	Unit	Value	Change
Austria	Schilling	13.75	+0.05
Belgium	Franc	36.36	+0.05
Canada	Dollar	1.00	+0.01
Denmark	Krone	4.83	+0.02
France	Franc	6.55	+0.01
Germany	Mark	1.00	+0.01
Greece	Drachma	166.67	+0.05
Italy	Lira	200.00	+0.05
Japan	Yen	160.00	+0.05
Netherlands	Guilder	1.80	+0.01
Portugal	Escudo	200.00	+0.05
Spain	Peseta	166.67	+0.05
Sweden	Krona	4.83	+0.02
Switzerland	Franc	7.20	+0.01
UK	Pound	1.00	+0.01
USA	Dollar	1.00	+0.01

World news Business summary

Sudanese rebels issue ultimatum

Sudan's new military rulers were given an uncompromising challenge by the leader of the main rebel group in the south of the country. He confirmed that a ceasefire was in force, but warned that it would be broken unless there was return to civilian rule within seven days.

The ultimatum from Colonel John Garang, commander of the Sudan People's Liberation Army, came as the five-man military junta discussed setting up a caretaker government to preside over the country before the promised restoration of civilian government.

General Abdul Rahman Swared-dahab, the new leader, has promised to end the rebellion through dialogue and to improve the living standards of the people in the south. Page 16

Missile request

Dutch Foreign Minister Hans van den Broek arrived in Moscow to tell the Kremlin that it must reduce its missiles in Europe to prevent the Netherlands accepting siting of U.S. missiles. Page 3

Chinese purge

China's Communist party leader Hu Yaobang announced that thousands of senior party and government leaders would be dismissed by the end of the year. Page 4

S. Africa protest

South African riot police fired tear gas at crowds of black protesters setting fire to houses and other buildings in the eastern Cape province. Page 4

Priest 'tortured'

Polish police are investigating allegations that a Roman Catholic priest was tortured with a lighted cigarette by an attacker in the southern city of Krakow. Page 2

Taiwan sentences

A Taipei court jailed two Taiwanese gang leaders for life for killing a Chinese-American writer, Henry Liu, in California and made accusations against senior intelligence officers. Page 4

Policeman killed

A policeman was shot dead by gunmen in India's Punjab state five days before public rallies to mark the state's religious festival.

Fabius visits Seoul

French Premier Laurent Fabius's visit to Seoul appears to have paved the way for better political and economic ties between France and South Korea. Page 4

Landslide kills 120

At least 120 people were killed and 200 missing after a landslide swept through an Andean village in Peru.

Iran accuses

Iran accused Iraq of using chemical weapons again on the battlefield in the southern Iraqi marshes, where 11 soldiers were killed.

Bhopal claim

India is still willing to consider an out-of-court settlement with Union Carbide provided the U.S. company offers adequate compensation to victims of the Bhopal gas disaster. Page 4

Italian strike

Italian train drivers called a series of strikes for today to support claims for improved pay and conditions.

Rock band stabbing

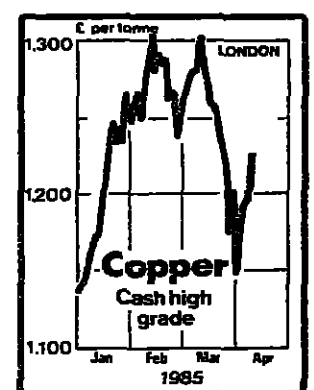
A trumpeter from British rock band Wham was in a Peking mental hospital after stabbing himself on a Chinese airliner.

Capital spending in U.S. to rise 8.7%

CAPITAL expenditure by U.S. companies is expected to rise by about 8.7 per cent in 1985, the Commerce Department said. Such an increase would be sharply down from the 18 per cent increase recorded in 1984. Page 16

WALL STREET: at 3pm the Dow Jones industrial average was down 0.44 at 1,252.54. Section III

STERLING was firm in London, closing at \$1.206 (\$1.190), DM 3.7973 (DM 3.791). FFf 11.5725 (FFf 11.555) and Y307.25 (Y304.0). It was unchanged at SwFr 3.2075. The pound's exchange index rose to 76.5 from 76.3. Page 39



DOLLAR was generally weaker in London, closing at DM 3.151 (DM 3.174), SwFr 2.6615 (SwFr 2.685), FFf 9.5175 (FFf 9.59) and Y254.95 (Y254.4). On Bank of England figures, its exchange rate index fell to 148.7 from 149.9. Page 39

GOLD rose \$5.25 an ounce on the London bullion market to finish at \$323.00. It was also higher in Zurich at \$322.05. Page 36

LONDON equities ended mixed-to-lower in quiet trading and the FT Ordinary share index closed 0.6 down at 955.9. Gills were firmer. Section III

TOKYO eased although biotechnology-related issues were in demand in late trading. The Nikkei-Dow market average shed 5.53 to 12,830.43. Section III

ROYAL Bank of Scotland received a cool response in the Eurobond market to its launch of a 20-year, £200m floating-rate note, with investors in the crowded-FRN sector apparently wary of its long maturity. Page 16

AMERADA HESS, Northrop, Gould and Alcoa are among U.S. companies adopting measures to make themselves bid-proof in response to the wave of hostile merger activity on Wall Street. Page 17

SACILOR, large French state-owned steel group, has reported losses of FFf 8.1bn (\$835.9m) for 1984, against FFf 5.28bn losses in 1983. Page 18

STET, Italian state-controlled telecommunications holding company and part of the IRI state group, is expected to report £430bn (\$215m) consolidated net profits for 1984, against £480bn net profits for 1983. Page 18

ITT, the U.S. telecommunications conglomerate, plans to invest Esc 6.2bn (\$35m) in its Portuguese operations over the next four years. Page 6

COMPUTERVISION, the U.S. computer design systems manufacturer, laid off 950 employees. Earlier this month the group said it expected a first-quarter operating loss of up to \$15.7m. Page 11

RALEIGH Cycles Berhad, Malaysian property and bicycle company, announced a 110m ringgit (\$44m) share-exchange bid for Cold Storage Malaysia as part of a programme by Mr Dain Zairuddin, Finance Minister, to rationalise his business interests. Page 19

FRENCH textile group Dollfus-Mieg continued its recovery last year, lifting net profits to FFf 70m (\$7.14m), against FFf 30m in 1983 and management forecasts of around FFf 54m. Page 18

OECD warns on growing perils of protectionism

BY PAUL BETTS IN PARIS

THE Organisation for Economic Co-operation and Development (OECD) yesterday published a damning report on the perils of protectionism and warned that its impact on international trade would grow, especially if the dollar remained strong.

The Paris-based agency will press industrialised countries at talks tomorrow and on Friday to try to devise a concerted effort to tackle the tensions caused by protectionism, international debt problems and unemployment.

A study prepared for the spring ministerial meeting claims that protectionism has "yielded few benefits but imposed substantial costs" on countries' economies.

Unless countries can start showing a common and credible willingness to resolve these problems, the OECD fears that governments, especially that of the U.S., will be compelled to bow to domestic protectionist pressures.

The study makes four key conclusions:

- Protection has not proved to be an efficient way of sustaining employment. Even in protected sectors import controls have rarely saved more than 2 per cent or 3 per cent of jobs, often at the expense of employment opportunities in other industries.

- Protection has increased the average price to consumers of protected goods by as much as 10 per cent and of specific items by much more. The report shows that those worst affected by these price increases are low-income households, which in the case of clothing, depend most heavily on low-cost goods imported from developing countries.

- A study of the UK clothing industry, for example, suggests that the average increase in UK clothing retail prices because of the second Multifibre Arrangement was 20 per cent and as much as 30-50 per cent for lower quality items, like jeans. Prices of children's clothes doubled.

- The report says there is little evidence that protected industries can, or do, use the "breathing space" provided by protection to restructure themselves. Indeed, the report adds that protection, especially through so-called voluntary export restraints, has transferred large profits to foreign producers by enabling them to sell at higher prices, thus allowing them to increase their competitive edge.

- The OECD estimates that protection has increased the profit margin on Japanese steel sales in the U.S. market by at least 10 per cent. That is the equivalent to about \$200m a year, or nearly half of Japan's annual expenditure on steel research and development.

The OECD also estimates that in the textile and clothing industry, UK restrictions under the Multifibre Arrangement transfer twice as much income to foreign exporters as to UK producers.

● The report warns that the spread of protection is very costly for developing countries, where the sustained growth of exports is crucial

Bundesbank presses for greater deregulation

BY JONATHAN CARR IN FRANKFURT

THE WEST German Bundesbank is pressing other countries, notably Japan, to liberalise their capital markets further in return for benefits which are about to be granted to foreign banks resident in West Germany.

The central bank's aim is to try to win reciprocal advantages for West German banks facing local restrictions in foreign markets.

It is understood that the question of reciprocity arose yesterday during two sets of talks between the Bundesbank and representatives of foreign banks. Officials from Japanese banks were received separately, underlining the particular importance that the Bundesbank attaches to the Japanese market and its problems.

During the meetings the Bundesbank gave details of its plan, which is expected to take effect in the next few weeks, to allow foreign banks resident in Germany to lead-manage D-Mark foreign bond issues.

Mr Newling, managing director of the bank, said last night: "This is just a conventional leasing operation we have arranged for the financing of some of the presses. He said that the bank would get in "ordinary" return on its investment from what was a very viable project.

"In our opinion it's a very good company and will produce an excellent paper," he said.

Mr Newling also said that while he was aware of Mr Shah's image as a "union-basher," he did not believe he was anti-union but just opposed to the "closed shop" (the employment of union members only).

The Hungarian Bank has a reputation for beating the capitalists at their own game and is, for example, a quick-witted dealer in foreign exchange.

Last year it had pre-tax profits of £5.47m, which was well down on the record of £8.3m in 1982-83 but still represents a 68 per cent return on capital. (There was some surprise in 1983 when it paid its then managing director, Mr Jack Wilson, a salary of £125,742).

Mr Shah said yesterday that the bank had been highly efficient to deal with. He contrasted its almost immediate decision to back him with "some of the British banks and leasing companies which were nervous about the political implications and did not look at it as an investment."

Mr Shah has already paid a £1.5m deposit on the presses made by Man Roland in West Germany. The consortium organised by the bank has now agreed to finance the rest of the deal - approximately £8.2m - and lease back the presses to Mr Shah. He will then buy the presses from the Hungarian consortium over a five-year period.

Although there are obviously Continued on Page 16

Japan pledges to promote foreign goods

BY JUREK MARTIN IN TOKYO AND STEWART FLEMING IN WASHINGTON

JAPAN yesterday committed itself to a three-year action programme, starting later this year, to increase the sales of foreign manufactured goods in the country.

At the same time, Mr Yasuhiro Nakasone, the Prime Minister, went on television to urge his countrymen "to be willingly receptive toward foreign products for the purpose of enriching your livelihood."

He said: "Export promotion is not the only means to enrich the national economy."

Japan had benefited from free trade but its well-being was threatened by protectionism, particularly in the U.S. The country had to respond to this reality, even to the point of accepting that its Government, which he described as naturally more protective of its citizens than its European and American counterparts, might have to play a lesser role.

Mr Nakasone conceded that it would be difficult to eliminate the \$34bn trade surplus with the U.S., the chief foreign critic of Japanese trading practices, in a short time. He hoped that the U.S. would take steps to reduce its interest rates, and thus the value of the dollar, and that, working together over the longer haul, the trade imbalance could be narrowed appreciably.

The measures announced yesterday contain little of significance that had not previously been negotiated with the U.S. or announced by Japan, such as those in the fields of telecommunications liberalisation and internationalising the yen.

Even the guidelines for the action programme will not be settled until July and set in motion three months later. This delay is indicative of deep divisions inside the Japanese Government and political system over how far the country can reasonably go in meeting external demands for changes. Mr Nakasone's ability to influence this debate is circumscribed.

Japan effectively delayed any early decision on perhaps the most intractable current bilateral dispute, the trade in timber products. It said it would draw up a five-year programme to assist domestic industry and when that was in place consider tariff cuts, but not before April 1987.

Top Reagan Administration officials gave the new Japanese trade package a lukewarm welcome in public yesterday, while in private some top trade officials voiced scepticism about whether the latest in a succession of trade liberalising packages would have a significant impact on the bilateral trade deficit.

Mr James Baker, Treasury Secretary, said on television that U.S. reaction would depend on whether or not the new measures were implemented.

He did not know if the Japanese plan would go far enough to head off protectionist action in Congress. Vice-President George Bush told a bankers seminar in Washington: "What is important is what follows on, what actually happens in terms of access to market, in terms of entry of American products into the Japanese market."

He praised Mr Nakasone for taking the initiative. "This took a good deal of courage... a good deal of leadership."

In broad terms, probably the most important item announced yesterday was the firm promise of continued expansion of foreign aid and contributions to international financial institutions, like the World Bank. Previously Japan has cited budgetary constraints over its aid commitments beyond next year.

Sectoral items for foreign businesses include a few, mostly minor, specific concessions - on the use of so-called "high cube" foreign containers on Japanese roads, on foreign drug testing, the simplification of import procedures, and the purchase of U.S. communications satellites.

But more emphasis was given to the need to promote import consciousness (to be boosted as previously announced by financing concessions) and to increase the "transparency" of the Japanese decision-making processes.

The blueprint for Japanese action was based very much on the report of an independent commission under Mr Saburo Okita, Mr Nakasone's roving ambassador and a former Foreign Minister.

Paul Cheeswright, in Brussels, writes: The first impression of officials was that Mr Nakasone's announcement lacked concrete measures and appeared to be directed more at a solution of Japan's current difficulties with the U.S. than at resolution of its perennial problems with the EEC.

That said, officials were glad that the Japanese Government appeared to be acting, although they wanted not only to see the details of the measures, but also to know how they would be brought into practice, before making estimates of an effect on the EEC's trade deficit with Japan.

At a more fundamental level, there was general doubt whether the package would do much to change the distribution structure in Japan.

Details, Page 6

SEC seeks freeze on assets of failed bond dealer

By Terry Dodsworth and Paul Taylor in New York

THE U.S. Securities and Exchange Commission (SEC) yesterday sought to freeze the assets of the failed Bevil, Bresler and Schulman (BBS) government securities group as U.S. regulators began to unravel the books of the second bond dealer to collapse within a month.

Initial estimates suggested that the group may have lost between \$140m and \$180m. Like the \$300m collapse of ESM Government Securities last month, most of BBS's creditors appeared to be small savings banks across the country.

The moves came as the SEC charged the company with fraudulently concealing its financial condition and Congressmen accelerated their demands for new regulations to cover small government securities dealers.

The problems at BBS, which is based in New Jersey, first emerged at the weekend, leading BBS Asset Management, one of the operating subsidiaries of the group, to seek protection from its creditors under Chapter 11 of the bankruptcy code.

The SEC, however, then stepped in to demand that some of the units in the group, including BBS Government Securities Group, the parent firm, be placed into receivership so that the SEC could unravel its affairs as quickly as possible.

A federal judge yesterday authorised the appointment of Mr Saul Cohen as trustee and receiver for BBS Asset Management and as receiver for BBS Government Securities Group and its affiliate BBS Government Securities Inc.

The judge was also expected to sign an order freezing all the assets of the group, excluding a brokerage unit called BBS Inc. late yesterday.

BBS, one of the larger regional securities firms, was founded in 1972. Like ESM Government Securities, BBS was highly active in the complex and unregulated government bond repurchase and reverse repurchase agreement market. Both types of transaction involve the lending of government securities, and effectively represent a form of short-term borrowing.

The BBS Asset Management Bankruptcy filing listed 80 creditors, including 45 saving banks, several based in Illinois. The 10 largest creditors are owed a total of \$113.1m. Mr Ira Sorkin, the New York regional administrator for the SEC, said yesterday that the identified losses were "a minimum of

Continued on Page 16

Lex, Page 16



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Handwritten signature: J. 20/04/85

EUROPEAN NEWS

Summit is Greens' target

By Leslie Collett in Berlin

THE West German Greens party is to stage at a West Berlin university a "tribune" against the world economic summit conference in Bonn early next month and an "alternative" summit.

In an angrily worded open letter to the governments involved in the economic summit entitled "You are hungry for arms," the Greens accuse them of "taking war dead as your nourishment." The letter claims that millions of starvation deaths annually are a "calculated part of your system." It adds: "Your stock exchanges depress and manipulate the prices of raw materials."

"Your bank consortia extort usurious interest from the Third World," the letter continues.

The Greens said they would hold the tribunal on May 3, midway through the summit. The following day it will organise a non-violent mass demonstration in Bonn characterised by "civil disobedience." This is to be directed against the deployment of new U.S. missiles in West Germany and will take place while President Ronald Reagan attends the summit.

The Greens attack the summit participants for allegedly aiming to "line outer space with weapons—for peace and freedom."

Alan Friedman in Milan examines an Italian media phenomenon 'Direct Line' to straight reporting

SOMETHING VERY unusual has been happening in the world of Italian television—for the past two months the RAI state network has been transmitting a nightly current affairs programme which is relatively objective.

It is not an exaggeration to say that this is rare. Italy is a country where the Press and television news have been traditionally more politically biased than in say, Britain or the United States. The RAI's first network, RAI Uno, is generally seen as more sympathetic to the Christian Democrats, while RAI Due, the second station, tends to be more favourable to the Socialists, the party of Prime Minister Bettino Craxi.

Two months ago, Sig Enzo Biagi, Italy's foremost journalist, began a late-night current affairs programme called "Linea Diretta" ("Direct Line"). The programme, on RAI Uno, is roughly equivalent to the BBC's Newsnight or Nightline in the U.S. It offers news analysis and discussion of topics ranging from U.S.-Soviet relations to the question of AIDS.

Sig Biagi himself, a veteran commentator for a variety of Italian newspapers, presents a rather low-key half-hour programme. He sees his own role as that of an interlocutor rather

than commentator on television. But, with important regional elections coming up in May, Italian politicians are watching Press coverage carefully. In the past fortnight, the Socialists have launched a number of attacks on "Linea Diretta" and Sig Biagi, accusing the programme of being "partial and biased." Two Socialist members of RAI's board have denounced Sig Biagi.

The 65-year-old Sig Biagi, for his part, has come back fighting. "The Socialists already have an entire network to themselves. To attack me for being partial is a misuse of political power," he declares. He goes on to say that "there is too much manipulation of Italian television and newspapers." He sees "Linea Diretta" as an opportunity to bring objective analysis to its 2m nightly viewers (who represent around 40 per cent of the television audience).

Claiming that he voted Socialist all of his life until last year, when he voted Christian Democrat in the European elections "to counter-balance the Communists," Sig Biagi is clearly enraged at the Socialist attack. "There is no doubt that Craxi is behind this, and it is wrong," he says.

At the Palazzo Chigi in Rome, an aide to Sig Craxi said that



Sig Biagi: "Too much television manipulation"

the Prime Minister regards Sig Biagi as "a good journalist, but someone who behaves too much like a Christian Democrat." The Socialists are also upset that Sig Biagi's L1.5bn

(£820,000) three-year contract is too costly.

As a specific example of the alleged pro-Christian Democrat bias, the Prime Minister's aide cited a recent broadcast on corruption. "There were three cases of Socialist politicians who were accused of corruption. Why were there only Socialist cases?"

Socialists also admit privately that they are worried about the influence of the Christian Democrats at the highest levels of RAI. Some would say that the real target of the attacks on "Linea Diretta" is the RAI director-general, Sig Biagio Agnès, a friend of the Christian Democrat leadership.

Much of the above is simply part of the Byzantine fabric of everyday Italian politics—the accusations and counter-accusations which make Rome politics a melodramatic affair at times. But set in the larger context of Italy's drive to adopt higher standards of behaviour in politics, finance and industry, the Biagi affair is perhaps a case of the older manipulative Italian political tradition versus the reformers who seek more "European" behaviour.

Sig Biagi is not necessarily a crusader, but his idea of less political interference in the powerful medium of television is no bad thing.

Bulgaria hits back at Turkey

BULGARIA YESTERDAY accused Turkey of interference in its internal affairs and denied charges by Ankara that its Turkish minority was forced to adopt Slav names. Reuter reports from Vienna.

Turkey's ambassador at the United Nations, Mr Ilter Turken, asked on Monday for the help of Islamic nations here to stop Bulgaria from eradicating "by means of coercion, the ethnic, religious, and cultural identity of the Turkish minority."

He claimed that the Bulgarian authorities have admitted carrying out deliberate programmes "to wipe out the Turkish-Islamic identities of 1m people and to replace them by Christian-Bulgarian identities."

Bulgaria's official news agency yesterday quoted Moslem religious leaders as saying that they had adopted Bulgarian names of their own free will. It said Moslem leaders in Plovdiv, Stara Zagora and Haskovo had published declarations in the Press "refuting the slanders and fabrications of coercion being exercised on Bulgarian Moslems."

In his speech to UN envoys of the 39-member Islamic Conference on Monday, Mr Turkmen said several hundred members of the Turkish minority had been killed and hundreds more injured.

Polish church up in arms over attack on priest

BY CHRISTOPHER BOBINSKI IN WARSAW

POLISH church leaders are demanding that the authorities clear up an incident on Easter Saturday when a priest was attacked by "unknown assailants" near his home in Krakow.

The speed with which the local Cardinal Franciszek Macharski has acted and the decision to publicise the incident shows how seriously it is being viewed by the Roman Catholic church.

The attack, during which Fr Tadeusz Zaleski, the shape of a "V", a favoured Solidarity symbol, burned on his face and chest, is reminiscent of the murder last autumn of Fr Jerzy Popielesko, the pro-Solidarity priest. Four government men were sentenced to long prison terms for the crime last February.

Fr Zaleski, who is recovering from second degree burns on his arms, is a curate at the church in Mistrzejowice, a Krakow suburb. The parish is famed for the services held there by another dissident priest, Fr Kazimierz Janczar, who has often been criticised by the authorities for his outspoken sermons.

The church also has links with steelworkers at the giant Nowa Huta works nearby.

Local police say they are investigating the attack. A Frenchman, M Frederic Castaing, suspected by the Polish police of links with dissidents, was kidnapped for an hour recently by "unknown assailants" in Krakow and held in a car while his stomach and hands were burnt with cigarettes.

High level meeting tackles new technology and jobs

BY OUR MILAN CORRESPONDENT

THE ITALIAN Prime Minister, Sig Bettino Craxi, today opened a meeting in Venice attended, among others, by employment ministers from the world's seven most industrialised nations. The two-day meeting, which Sig Craxi proposed at last June's economic summit in London, is intended to be an exchange of ideas on the problems of unemployment and ways of taking advantage of new technology.

In all, some 24 countries are sending ministers to Venice. Britain will be represented by Mr Tom King, the Employment Minister, while President Ronald Reagan is sending Mr Malcolm Baldrige, the U.S. Secretary of Commerce, and Mr

George Keyworth, the President's Science Adviser.

Apart from ministers from Japan, France, West Germany, Canada and other countries such as Belgium, Sweden, Spain, Portugal, Austria and Switzerland, the conference is also being attended by the Secretary-General of the OECD, and by a special representative from the United Nations and from the European Commission.

An aide to Sig Gianni De Michelis, the Italian Employment Minister, said the Venice meeting will be the highest level international discussion on how to blend new technologies with the problems of unemployment.

BENEFICIAL CARTELS MOOTED Dutch fine tune their technology policy

BY LAURA RAUN IN AMSTERDAM

A PROPOSAL for "beneficial cartels" among European companies to fight against American and Japanese competition in consumer electronics sounds strange coming from the Dutch, for centuries international free traders.

But the plan, put forward to fellow European Community leaders by Mr Ruud Lubbers, the Dutch Prime Minister, reflects increasing concern within the Netherlands over industrial modernisation and innovation.

Following the passage of an innovation Bill in the late 1970s,

A third programme known as the innovation stimulation subsidy, will provide Fl 1.1bn over the coming five years to cover labour costs of companies involved in research and development. This subsidy is particularly useful because of a severe shortage of adequately trained computer specialists in the Netherlands. The University of Amsterdam is now paying a salary bonus to such experts to ensure it has enough instructors.

A fourth initiative is the "informatics" policy, under which about Fl 1.7bn will be available until 1990 to familiarise businessmen, students and civil servants with information technology. Schools will be provided with computer equipment for instruction along with Government ministries.

The Agriculture Ministry recently awarded a Fl 500,000 contract to a small Amsterdam company called Ores, which markets operational research systems, to provide software for test stations, research institutes and agricultural colleges.

Budgetary constraints mean that the Netherlands must carefully watch its financial aid to industry, however. The Dutch have been driving a hard bargain with Japan, Thorn-EMI's integrated-circuit subsidiary, over possible plans to set up a chip factory in the province of Limburg. The central and provincial government have apparently balked at the idea of increasing their financial backing for the Fl 600m project, hoping to draw more money out of Thorn.

The Economics Ministry recently indicated that it may have to tighten requirements for the innovation and research programme because of greater-than-expected demand from industry.

Dutch universities and technical schools are being offered subsidies to establish "transfer points" with industry where expertise can be exchanged. Four such centres have been established, opening the laboratories, knowledge and experience of academic institutions to companies for the development and improvement of products.

A Government-sponsored panel, the Wagner Commission, was set up to recommend ways of achieving industrial rejuvenation. One of the commission's most significant contributions was a list of areas where public policy should be focused, including information and electronics, medical technology, telecommunications and office systems.

Mr Lubbers's Centre-Right Government has further boosted the policy, trying to promote co-operation between academic and businessmen with the hope of orienting research towards more commercial applications. Universities and technical schools are being offered subsidies to establish "transfer points" with industry where expertise can be exchanged. At least four such academic-industrial centres have been founded, which have opened academic institutions' laboratories, knowledge and experience to companies for product development and improvement. Around Fl 100m (£23m) is to be made available over the next four years to fund joint research projects between academic institutions and companies. Efforts have begun in two broad areas, biological and membrane technology, including a membrane project involving the Agricultural College in Wageningen, Akzo's Osmos Unit, Gist-Brocades and Union Sugar.

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EUROPEAN NEWS

SIXTH ROUND OF TALKS BEGINS IN MOSCOW

Sino-Soviet search for closer ties resumes

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET UNION and China started talks in Moscow yesterday on improving relations, against a background of increasing cordiality between the world's two largest Communist powers.

The negotiations are the sixth round of talks which started in 1982, but over the past year Moscow and Peking have rapidly improved ties.

The contacts are aimed at normalising relations between the two states but there have been no official meetings between the two Communist parties. The new Soviet leader, Mr Mikhail Gorbachev, called for better relations with Peking when he took over last month.

The Chinese, however, have never dropped the three demands which they say impede normal relations: Soviet support for Vietnam in Kampuchea, the Soviet presence in Afghanistan, and its heavy military presence along the Chinese border.

In February, the Soviet daily newspaper *Izvestia* carried a long account of relations with China since the Chinese Communist Party took power, saying that Peking's present attitude

to improved ties was ambiguous.

After listing Moscow's grievances against China since the two powers began to split in 1958, the article said that "in a whole series of aspects of its foreign policy, China is still confronting the Soviet Union and other Socialist countries."

It concluded that while the Soviet Union is in favour of better relations with China, it would not seek them "at the expense of our country's friends and allies." This is a reference to Vietnam, Afghanistan and India.

The Soviet media have given extensive publicity to Chinese support for anti-government guerrillas in Afghanistan, but Moscow has clearly noted that Peking made no effective military response to the Vietnamese attack on Chinese-supported guerrilla bases on the Kampuchean border this year.

The two weeks of talks in Moscow which started yesterday will be divided into four sessions. No breakthrough is expected but the tone of the exchanges is clearly warmer.

Mr Gorbachev appears to be

giving improved links with China greater emphasis than did his predecessor, but the main thrust of his foreign policy in his first month in office has been devoted to meeting leaders from the Soviet Union's East European allies.

SOVIET Defence Minister Sergei Sokolov arrived in Warsaw yesterday for talks with his Polish counterpart Mr Florian Siwicki. Reuter reports from Warsaw. They were expected to discuss preparations for the renewal of the Warsaw Pact treaty next month, as well as the Soviet Union's temporary freeze on the deployment of nuclear

weapons in Europe. The visit is the first Mr Sokolov has made to Poland since he took over the Defence Ministry following the death of Marshal Dimitri Ustinov last year. Formal ceremonies extending the Warsaw Pact alliance are expected to be held in the Polish capital before the middle of next month.

Mark Baker adds from Peking: There is an unusual air of optimism surrounding the renewed dialogue between China and the Soviet Union on improving their troubled relations.

Hu Yaobang, China's Communist Party chief, yesterday signalled a change in Peking's negotiating tactics with the Kremlin, indicating that China was no longer insisting on the

clearly how many obstacles there are, but the obstacle regarding state security must be removed," he was quoted as saying.

The visit to China in late December of Deputy Prime Minister Ivan Arkhipov, the most senior Soviet official to tour China since the early 1960s, seems to have helped improve relations. His visit had originally been scheduled for

last May but was abruptly cancelled during a period of tension over the Sino-Vietnamese border and President Ronald Reagan's China tour. The Arkhipov visit cemented the growing economic contacts between the two countries which have seen two-way trade rise from about \$300m in 1982 to a projected \$1.8bn this year.

Diplomats see some room for compromise on the issue of Soviet troops and missiles in the Far East, but the occupation of Afghanistan remains an issue of deep dispute. After the setbacks suffered by the resistance forces in Kampuchea recently, China is probably less likely than ever to modify its hostility to Soviet support for the Vietnamese.

Events in recent months, however, have suggested a new willingness by the Chinese to skirt issues of principle in the interests of an easier relationship. They have even indicated that they may be ready to take the important step of restoring relations between communist parties, severed since the bitter fights over ideology 20 years ago.

Today's encounter between Mr van den Broek and Mr Gromyko follows a meeting at the United Nations in New York last September.

Reuter adds from Moscow: The Speaker of the U.S. House of Representatives, Mr Thomas (Tip) O'Neill, leading a 13-man congressional delegation, met Mr Gromyko yesterday.

The Soviet news agency Tass said that the Americans stressed the "so-called defensive character" of President Ronald Reagan's space based anti-missile system called the Strategic Defence Initiative on Star Wars.

Mr Gorbachev has said that the U.S. is trying to hide a "nuclear sword" behind the shield of SDI.

Tass said Mr Gromyko drew the American's attention to Mr Gorbachev's announcement of a seven-month freeze on deployment of SS-20 missiles in Europe and his call on Washington to respond with a similar gesture.

Mr O'Neill is expected to be received by Mr Gorbachev today

Unofficial strikes disrupt Denmark

UNOFFICIAL STRIKES continued in Denmark yesterday in the wake of the country's worst industrial confrontation for years. Reuter reports from Copenhagen.

Buses, post, hospitals and rubbish collection were among the areas disrupted as thousands of workers defied Government orders to return to work. They are protesting at a two-year wage settlement imposed by the Government on private and public sector employees.

Denmark's two largest ports, at Copenhagen and Aarhus, also remained closed. A Danish Harbour Association spokesman said. Koege on Zealand was shut, but the rest of the country's harbours were working normally.

Pickets at bus depots in Copenhagen and Esbjerg; hit morning commuter services and dustbins in the capital overflowed because of continued inaction by 400 collectors.

Staff at several hospitals stopped work, leaving only essential services. Schools in Esbjerg sent pupils home after teachers left for protest meetings, and some factories reported that workers had

downed tools ahead of a national day of action.

A petrol shortage in the east of Denmark appeared to be easing after police said they had ensured tanker drivers could pass pickets at the central Copenhagen fuel terminal.

National officials of the unions, which are legally bound by the government's imposed settlement, have urged a return to normal working and said members should protest through the ballot box at elections, not with unofficial action.

● The street price for locally-bottled whisky topped \$50 (£41) in Finland yesterday as a strike by workers at state-run liquor stores showed no signs of ending. Reuter reports from Helsinki. Sales staff of the state liquor monopoly "Alko" have been on strike over pay and conditions since March 29. Travel agents report a boom in trips to neighbouring Sweden.

Spanish warning

Spain's Communist-controlled Workers' Commission union confederation warned yesterday that it will call a 24-hour general strike in June in protest at government plans for social security reform. Reuter reports from Madrid.

Spanish support for decision-making by majority in EEC

BY DAVID WHITE IN MADRID

SPAIN, which is due to become an EEC member with Portugal from the start of next year, will support majority decision-making and the strengthening of supranational institutions in the Community, Sr Manuel Marin, Secretary of State for EEC Relations, said here yesterday.

Sr Marin, who was attending a meeting of the Confederation of the Socialist Parties of the European Community, said the Spanish Government would be a firm advocate of majority decisions in all fields. "It is the only way the Community can work," he commented. It remained to be decided, however, what mechanisms would be employed.

In an address to the conference yesterday, M Jacques Delors, president of the European Commission, stressed that the Commission attached great importance to having these subjects tackled at the Community summit in Milan in June.

He said the questions needing to be raised included whether European co-operation should be expanded, the areas in which the European Parliament should share decisions with member governments, the

ways in which more decisions could be made by majority vote, and the Community's future resources.

Sr Marin, Spain's principal negotiator with the EEC, said he hoped that the enlargement treaties would be signed before the Milan summit. The Madrid Government hoped simultaneous ceremonies could be held in Madrid and Lisbon.

Sr Felipe Gonzalez, the Spanish Prime Minister and Socialist Party leader, appealed in his speech to the conference for support in getting enlargement ratified by member parliaments in time for the January 1 target entry date.

The issue of supranationality is one that has so far been little aired in Spain, where the debate has centred on the prospects for entry and the terms of admission. The Madrid Government's stance is expected to be backed cautiously by Sr Mario Soares, the Portuguese Prime Minister, who is also attending the two-day Socialist conference here.

Portugal's position will be conditional, however, by its concern to defend the interests of smaller members, and by strong internal opposition to EEC membership from the country's Communist Party.

Current account surplus for Belgium and Luxembourg

BY PAUL CHEESERIGHT IN BRUSSELS

BELGIUM AND Luxembourg yesterday reported their first current account surplus since 1976. Figures from the National Bank of Belgium, showed that the 1984 surplus for the two countries, which have a long-standing economic union, was Bfr 11.7bn (£153m) against a deficit of Bfr 38.4bn in 1983.

The external trading performance of the two countries has steadily improved since a devaluation of the Belgian franc in early 1982. This allowed Belgian companies to regain competitiveness in international markets after a steady erosion of their position in the late 1970s and early 1980s, at the same time, the Government has been pursuing policies designed to foster the corporate

sector while reining in consumer spending. The current account deficit has thus been steadily cut from Bfr 199.6bn in 1981, to Bfr 112.8bn in 1982.

On visible trade alone, Belgo-Luxembourg Economic Union exports registered a surplus over imports last year of Bfr 21.9bn against a deficit of Bfr 23.9bn in 1983. But the current account has been hurt by the movement of capital overseas. Here there was a 1984 deficit of Bfr 97bn, compared with Bfr 86.8bn the previous year.

The Ministry of Finance noted, however, that the greater part of last year's deficit resulted from movements in the first half.

Dutch minister to explain missiles stance to Gromyko

BY LAURA RAUN IN AMSTERDAM

THE DUTCH Foreign Minister, Mr Hans van den Broek, is to meet his Soviet counterpart, Mr Andrei Gromyko, in Moscow today to discuss the Netherlands' decision due later this year on whether to deploy U.S. nuclear-cruise missiles.

Mr van den Broek seems likely to repeat to Mr Gromyko remarks he made on leaving here yesterday, that the Netherlands will proceed with deployment of 48 medium-range cruise missiles if the Soviet Union does not reduce the number of SS20 missiles it has in place.

The Dutch position was unaffected by the offer by Mr Mikhail Gorbachev, the Soviet leader, to stop stationing SS20s until November, because the number of Soviet missiles in place would remain too high, Mr van den Broek indicated.

At today's meeting he is likely to stress the Dutch hope that Moscow will reach an arms-reduction accord with the U.S. at the Geneva talks.

The Soviet Union is believed to have deployed 414 SS20s, or 36 more than the number on June 1, 1984, when the Dutch



Mr Gromyko (centre) was visited yesterday by a delegation of U.S. congressmen headed by Mr Tip O'Neill (left). He sees Mr van den Broek (right), his Dutch opposite number, today

cabinet postponed a decision on deployment for a second time. The Netherlands is the only one of the five Nato members who agreed in 1979 to accept cruise and Pershing missiles yet to station the rockets.

Under a cabinet decision

taken last year, the Netherlands will deploy its share of missiles if the Soviet Union has deployed more than 378 SS20s by November 1 this year. If no more than 378 (the number deployed by last June) have been put in place then the Dutch will not

deploy any missiles at their Woensdrecht site near the Belgian border. If Moscow and Washington have reached an arms accord by the November deadline, the Dutch will take a proportionately smaller number of missiles.

Flying to Saudi Arabia: some sobering thoughts.

If you don't fly Saudia, you can't fly direct from Heathrow to Jeddah or Riyadh.

If you don't fly Saudia, you can't fly direct to Riyadh at all.

If you don't fly Saudia, you can't sample Saudia's renowned cuisine. Cuisine that would do credit to a top restaurant.

If you don't fly Saudia, you can't choose from 22 domestic connections, all inside the same terminal.

If you don't fly Saudia, you're not on the airline that's known Saudi Arabia for 40 years.

If you do fly Saudia, you arrive relaxed, refreshed and (above all) ready to do business.

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OVERSEAS NEWS

Fabius visit boosts French prospects in South Korea

BY STEVEN S. BUTLER IN SEOUL

THE visit to Seoul of French Prime Minister Laurent Fabius, the first ever by the head of the French Government, appears to have paved the way to greatly improved political and economic relations between France and South Korea.

The first concrete result in the improvement in relations was Monday's announcement of the reopening of negotiations for the purchase of three wide-bodied A-300-600 Airbus, and France yesterday expressed interest in participating in Korean projects in energy, transport, environmental protection and telecommunications.

Framatome is currently building two nuclear reactors in France and is expected to bid for two more late this year or next. Alstom-Atlantique is also hoping to win contracts for France's TGV high-speed train.

It is unclear, however, if improved political relations will translate into advantages when South Korea awards contracts in these fields.

Relations between the two countries had been strained in recent months by a French decision in December to rename the North Korean office in Paris from a "trade mission" to a "general delegation".

The deterioration in relations following the decision threatened to harm France's commercial relations with South Korea.

M. Fabius said yesterday that the explanation of his Government's position, that renouncing the mission had no diplomatic significance, had completely cleared up the political clouds that had troubled their bilateral relations.

Western diplomats in Seoul expressed surprise at the degree to which the French bent over backwards to please their



M. Laurent Fabius

Korean hosts. M. Fabius went so far as to pledge to Korean Prime Minister Lho Sun-yong that France would not establish diplomatic relations with North Korea without the consent of the South Korean Government.

M. Fabius and his delegation, which included three cabinet ministers, had stressed repeatedly the similarities between the two countries, and the complementary nature of the two economies. The countries are seeking to expand a programme of joint ventures between small and medium-sized companies for export to third country markets.

Currently there are 35 pairs of companies participating in the programme.

Bilateral trade between the two countries last year totalled US\$824m. Mme Edith Cresson, France's Minister of External Trade, will leave Korea today for Peking, staying in Seoul one day longer than the rest of the delegation.

India seeks better deal for Bhopal victims

INDIA SAID yesterday that

it was still willing to consider a possible out-of-court settlement with Union Carbide provided the U.S. company offered adequate compensation to victims of the Bhopal pesticides gas disaster. Reuter reports from New Delhi.

The Indian authorities on Monday filed a lawsuit in New York District Court against Union Carbide on behalf of those who died or were injured in the December gas leak at the Bhopal plant owned by Union Carbide's Indian subsidiary. An estimated 2,500 people were killed and a further estimated 125,000 were injured.

Mr Veerendra Patel, the Indian Chemicals and Fertilisers Minister, yesterday informed Parliament that the suit had been filed after what India felt was a ridiculously low offer of compensation from the company. He did not give details of the offer but said that the Indian Government would consider a further offer from the company if it involved adequate compensation.

The suit does not seek specific amount of damages but asks that any award should be large enough to deter Union Carbide and any other multinational from the "wanton disregard of the rights and safety of the citizens of those countries in which they do business."

It said Union Carbide's negligence was behind the December 2 gas leak.

Union Carbide is absolutely liable for any and all damage caused... by the escape of lethal MIC (methyl isocyanate) from its Bhopal plant," the suit says.

Union Carbide allowed the lethal MIC gas to escape... exposing innocent and helpless people in the city of Bhopal, the adjacent countryside and its environs.

A police officer was shot and killed by gunmen in Punjab, holy city of Amritsar, the Press Trust of India (PTI) reported yesterday.

The news agency said Jagdish Rai Kanda was shot at close range late last night as he rode his motorcycle to work at a police station.

India expects to produce 30.14m tonnes of crude oil in 1985-86 and import nearly half that amount, the government said yesterday, AP reports.

Mr Nawal Kishore Sharma, Minister of State in the Petroleum Ministry, told Parliament that India's crude oil requirement in the new fiscal year is 42.14m tonnes.

He said the "tentative" figure for domestic production in 1984-85 was 35.9m tonnes, short of the target of 29.63m. India produced 26.02m tonnes in 1983-84, Mr Sharma said.

Economic performance is key question for Suharto, writes Kieran Cooke from Jakarta
Growing worries for Indonesia's quiet patron

WHEN Mrs Thatcher sits down for talks today with the Indonesian President she will be meeting one of the world's most powerful, but least publicised, leaders.

President Suharto, 64, has now been in power in this, the world's fifth most populous country with more than 160m people, for nearly 20 years. Yet to many both inside and outside Indonesia he remains an enigma, almost the exact opposite of Mr Sukarno, the man he succeeded in the wake of a bloody coup attempt in the mid-1960s.

Whereas Mr Sukarno was a populist, a flamboyant leader who steered Indonesia to independence and then into a period of chaos, President Suharto is a measured, quiet patron who likes to be known as the father of the nation.

For all his benign personal tenancies, President Suharto has power and influence that goes into almost every sector of society in a country which encompasses more than 13,000 islands and stretches across an area wider than the U.S.

The regime he heads is a paradoxical one. On one side is the Javanese elite, inhabiting a world full of protocol and court intrigue and belief in the spirits, an inward looking world where group and family connections are crucial.

On the other are the technocrats, men mostly trained in the Netherlands or the U.S. whose ideas have galvanised Indonesia into being one of the most successful of the developing world's economies.

President Suharto is, said one observer, "part old-style sultan, part steel-mined general, part ambitious technocrat and part

deeply suspicious peasant."

While the Suharto regime hardly fits into classic Western definitions of a military dictatorship or police state, power in Indonesia is very much a top-to-bottom affair, with the Palace and the military at the pinnacle. It is an overwhelmingly centralised system in which potential rivals are played off against each other, where loyalty is richly rewarded and direct opposition rarely tolerated.

President Suharto's old colleagues from army days hold several important Cabinet positions and almost all provincial governors are retired army men. The military also receives generous stipends. In the early 1970s a group of army generals was given a timber concession of more than 600,000 hectares—an area almost 12 times the size of Singapore—while a recently retired military group inherited a coal mine.

Alongside the military structure a formidable political apparatus has been constructed, centred on the government party, Golkar. The party includes most of Indonesia's 2m civil servants and has a political machine which stretches into all corners of society. Golkar has won all three elections since President Suharto came to power and is now involved in a mass registration drive to make, as the Government says, the next elections in 1987 "successful".

Meanwhile, in what is seen by some as a move towards the legitimisation of a one-party system, legislation is being passed which virtually forbids the existence of any political groups, including religious bodies, without official approval or sponsorship.

However, while President Suharto's control is comprehensive, he does face difficulties. Certain groups, particularly among the more ardent Moslems, have become increasingly



President Suharto

attacked by what they see as the Government's attempts to exclude them from any say in the power process.

Moslem resentment—in a country which has the world's biggest Moslem population—is seen as one of the main reasons behind the recent riots and bombings in Jakarta and elsewhere in the country.

Some groups in the military are also becoming restless. As Indonesia develops, they see their role declining and are unhappy at recent moves to slim down the armed forces.

President Suharto himself, some observers say, shows signs of tiring, and while it is unlikely he will step down when his term of office expires in 1988, people are anxious that no obvious successor has so far appeared, giving rise to fears of a power vacuum and upheaval resulting from any sudden change at the top.

By far the most crucial ques-

tion hanging over the future of the Suharto regime is the performance of the Indonesian economy. As oil revenue, which accounts for more than 60 per cent of total revenue, has declined, economic activity has had to be scaled down. For an Administration that has largely justified its stay in power through its development achievements, any economic downturn is unhealthy.

Also, in these new, tighter economic times, President Suharto is having to face certain realities that have tended to be ignored. Only now are efforts being made to tackle the mismanagement and nepotism that flourishes in almost every sector of the economy. So dire has the situation become in the ports, where illegal licenses and other payments threaten the growth of Indonesia's vital non-oil and gas exports, that the powerful head of the armed forces, Gen Benny Murdani, was recently put in charge of a big clean-up operation. Many, however, feel that such action may have come too late.

Moreover, President Suharto's position could be undermined by any thorough and corruption campaign. Already, long-needed reforms, such as a new tax system, have met stiff opposition, while efforts to streamline the country's cumbersome bureaucracy have had only limited success.

"In many ways," one long-time observer of Indonesian affairs said, "President Suharto has become a victim of his own system, seemingly unable to make the real changes needed to ensure Indonesia's onward development without undermining his own position."

Iran, Iraq swap charges as UN chief ends visit

By Our Middle East Staff

SR JAVIER PEREZ DE CUELLAR, UN Secretary-General, yesterday ended his visit to the Gulf in search of ways to find an end to the conflict between Iraq and Iran on a pessimistic note as Tehran and Baghdad exchanged recriminations.

After talks with President Saddam Hussein and Mr Tariq Aziz, the Iraqi Foreign Minister, he told a press conference in Baghdad that he had made no progress towards a settlement but at least the governments of both countries had said that they wanted peace.

"We should be very careful not to raise expectations," an official Iraqi newspaper, Al Qadisiya, yesterday urged Sr Perez de Cuellar to direct his efforts "towards an open condemnation of the party rejecting peace."

Iran called on the UN Secretary-General to investigate Iraq's renewed use of chemical weapons in recent fighting.

Israeli minister to go to Cairo

BY DAVID LENNON IN TEL AVIV AND NORA BOUSTANY IN BEIRUT

MR EZER WEIZMAN, the Israeli Cabinet Minister who helped negotiate the peace treaty between Israel and Egypt, will meet Egyptian President Hosni Mubarak in Cairo next week in what may be the precursor to a summit meeting between the leaders of the two countries.

Relations with Egypt have been strained since the Israeli invasion of Lebanon in 1982, but Mr Shimon Peres, the Israeli Prime Minister, has been striving to improve ties with Egypt since coming to office in September.

Israeli officials yesterday were at pains to emphasise that the visit was a private one at the invitation of Egyptian Prime Minister Kamel Hassan Ali and should not be seen as a preparation for a summit meeting.

However, the visit will be the first by an Israeli minister in recent years which is not tied to a specific commercial purpose, and yesterday's disclaimers were being seen as an attempt to assuage the ruffled feathers of the Israeli

Foreign Ministry, which believes that bilateral relations should be its province rather than left to a minister without portfolio however popular he might be with the Egyptians.

Meanwhile, Israeli jets struck at a Druze mountain village south-east of Beirut yesterday and Christian spiritual and political leaders met to sort out differences in Lebanon's Christian community.

Israeli warplanes bombed the mountain village of Chemlan, seven miles south-east of Beirut, in the first raid since March 13, killing at least four people. An Israeli military spokesman in Tel Aviv said the pre-dawn

attack targeted a two-storey building used as a base by pro-Syrian Palestinian guerrillas. However, the Druze Progressive Socialist Party (PSP) said one of its positions was hit.

The Israeli strike whether directed against the pro-Syrian Palestinian Popular Struggle Front or Druze strongholds, appeared to be a warning to Druze leader Mr Walid Jumblatt not to interfere in clashes in Sidon between Israeli-backed Christian militiamen and Moslem-supported Lebanese army soldiers, or allow Palestinian guerrillas to return to his areas.

Pro-Syrian Palestinian guerrillas have been observed fighting alongside PSP positions in the hills above Beirut where the PSP confronts army units loyal to the Lebanese President, Amin Gemayel.

Rebel Christian militiamen have pinned down Sidon with sniping and shell fire for the past three weeks in a bid to establish a Christian enclave extending from townships east of the port city to the Lebanese-Israeli border.

Guerrillas stole about 12.5 kg of gold worth about \$135,000 from traders visiting Lebanon's Economy Minister, security sources told Reuter in Beirut. The robbers escaped after holding at gunpoint ministry officials and several merchants who had called to have the ministry's seal placed on the gold they had imported.

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70% of China's senior leaders to be replaced

SOME 70 per cent of leaders in 136 major Communist Party and government departments are being replaced this year, Hu Yaobang, Chinese Communist Party general secretary, said yesterday, AP reports from Peking.

They include 107 party and state council departments and 29 provincial, municipal and regional governments.

The biggest shakeup since Chinese leader Deng Xiaoping came to power in 1978 was revealed by party chief Hu in a 90-minute meeting with the 38-member Hong Kong Press corps. Other foreign correspondents were barred from the meeting.

In answer to questions, Hu disclosed that 900,000 officials have been retired in the party's drive to ease out ageing Leftists and unqualified officials.

Hong Kong and Macao reporters quoted Hu as confirming that his protégé, Hu Qili, a member of the party secretariat, will be nominated to the 24-member Politburo at the special party conference scheduled in September.

Taipei court jails two for life over murder of writer

BY BOB KING IN TAIPEI

THE TAIPEI district court yesterday sentenced two men to life imprisonment for the slaying of a Chinese-American author and journalist in the U.S. last year.

Mr Chen Chih-li, a major figure in the Bamboo Union, Taiwan's most notorious crime family, and Mr Wu Tun, Mr Chen's subordinate, were not present in the courtroom when the sentences were announced.

The two men were convicted of murdering Mr Henry Liu, a former Taiwan resident and a critic of the Taiwan Government, largely on the basis of confessions by Mr Chen and Mr Wu shortly after their arrests at the start of a nationwide crackdown on organised crime that began last November.

In their confessions, Mr Chen and Mr Wu also implicated vice admiral Wong Hsiung, head of the Defence Ministry's intelligence bureau, along with two subordinates. Mr Chen said the admiral told him to arrange for Mr Liu's death because Mr Liu was a double agent who had allegedly betrayed Taiwanese agents in China.

The three intelligence officers have denied involvement in the murder. Their trial in military courts began last week and will resume shortly.

In its decision the Taipei court ignored Mr Chen's defence that he was merely a soldier acting under orders from Admiral Wong and that it was his "patriotic duty" to eliminate traitors.

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Thyssen Information

The Thyssen Group had a good start to the new fiscal year of 1984/85. Last year's areas of growth and profitability have mostly been maintained, while stragglers have been able to catch up. Thyssen's external sales worldwide rose by 6% during the first half of the fiscal year. All divisions are in the black. The Group's result for the first half of this year is considerably better than that recorded for the same period last year. At the recent annual stockholders' meeting, a resumption of dividend payments for the current fiscal year was announced.

The steel division has maintained its production at last year's level. Prices could be gradually increased during the past few months, but raw materials costs have also increased considerably due to the strong dollar. Sales rose by 11% during the first half of

this year. Thyssen steel is again expecting a positive result for 1984/85.

In the specialty steel division, all production plants are at present working with normal capacity utilization or even better. So far, sales have risen by 8%. Significant increases in the prices of purchased alloying metals, quoted in dollars, are having to be absorbed. All in all, Thyssen's specialty steel division is again expecting a positive result for 1984/85.

The capital goods and manufactured products division increased its sales by a total of 7% during the first half of the current fiscal year. At Thyssen Industrie, incoming orders increased strongly. This and the product mix changes of the past few years are improving the company's profitability. Thyssen Industrie is expect-

ing a positive result for 1984/85. At Budd, most of the company's plants continue to work at full capacity. Budd will be achieving a significantly positive result. The railway passenger car operations in the U.S. are now being run by Transit America Inc. Provisions were made in last year's annual financial statements to cover burdens caused by the completion of loss-incurring orders booked in previous years. At Rheinische Kalksteinwerke, the positive trend in results is being maintained.

The trading and services division has been strongly expanding its international business for some years. During the first half of this

fiscal year, sales rose by 6%. The profit situation is stable, and this division will also close the current fiscal year with a profit.

Thyssen worldwide 1983/84 (October 1, 1983 - September 30, 1984)

Total sales of the divisions		Work force, annual average	
Steel	DM 10.3 bill.		132,950
Specialty steel	DM 3.5 bill.		
Capital goods and manufactured products	DM 9.8 bill.	Balance sheet items	
Trading and services	DM 17.6 bill.	Balance sheet total	DM 19.2 bill.
Total sales		Stockholders' equity	DM 2.6 bill.
Thyssen Group	DM 41.2 bill.	Capital expenditure	DM 986 mill.
Intercompany sales	DM 8.8 bill.	Depreciation and amortization	DM 1,120 mill.
External sales		Net income	DM 181 mill.
Thyssen Group	DM 32.4 bill.		



THYSSEN AKTIENGESSELLSCHAFT

AMERICAN NEWS

Key role of television in Brazil's real-life soap opera

BY ANDREW WHITLEY IN RIO DE JANEIRO

FOR NEARLY four weeks Brazil's entire 131m-strong population has been gripped by a real-life drama which has had all the ingredients, and more, of the country's highly popular television soap operas.

A new civilian president, about to take power as the man who could bind up the wounds left by two decades of military rule and revive the country's fortunes, is struck down by a mysterious illness on the eve of his inauguration. Rumours abound—and still persist—that he was shot.

The strong-willed wife of the president-elect and their ambitious, 25-year-old grandson make the decisions over his treatment, virtually ignoring the constitutional authority represented by the acting President. In the background, the shadowy figure of the National Intelligence Service chief personally supervises the news bulletins to

be fed to an anxious public.

Stand-up rows break out in public between the rival medical teams treating the stricken national leader, whose condition is aggravated seriously by a hospital infection he picked up early on. Finally, in the latest episode shown over the past few days, after what many Brazilians are convinced was an Easter miracle, the 75-year-old leader's health begins to improve.

All this is brought to the public, step by step, blow by blow, by a national television network which has few rivals.

The Globo network, owned and run by an ageing patriarch, Sr Roberto Marinho, is the fourth largest commercial television network in the world, exceeded only by the big three U.S. networks. It reaches a regular audience of over 40m for its main evening news and at times of crisis such as this

its viewing public rockets up

Globo's unstated, but unmistakable, decision to back Sr Tancredo Neves for the presidency against his military-backed rival was a decisive factor in the former's electoral success last January. It has also played a key role in recent weeks in helping preserve the calm.

What reinforces the impression that it is TV Globo, and not Vice-President Jose Sarney, jointly in the presidential palace in Brasilia, which is running the country is the fact that the new presidential spokesman is himself a former Globo journalist.

Sr Antonio Britto, 32, the official spokesman, well known to the public as the man on the other side of the microphone in Brasilia, reporting the nation's events. Now he has the difficult task of confronting several times a day his news-ravenous

former colleagues with only the dry language of medical bulletins—as filtered by Gen Ivan Souza Mendes, the intelligence chief, installed within San Paulo Hospital.

The ailing leader's aides know the importance of TV Globo in easing the country through these difficult days just as much as their military predecessors did.

From boardroom to slum bar, television has been left on permanently since the presidential drama began late on March 14. Normal business activity has been almost impossible because so many key figures have been glued to the box, waiting for the next flash from the hospital.

Even Sr Neves' closest relatives, waiting inside the hospital, first heard about his latest operation last week from the familiar face of the TV Globo reporter stationed outside the gate.



Neves: a nation prayed for his recovery

Legislation proposed for bond market

REPRESENTATIVE Timothy Wirth, chairman of the House energy and commerce committee's finance subcommittee, will propose legislation next week to impose limited regulation on the government securities market. Congressional sources said, Reuter reports from Washington.

Mr Wirth's draft legislation would empower the Municipal Securities Rulemaking Board to supervise the government securities market and its dealers.

In a memo to members of the finance subcommittee, Mr Wirth, a Democrat, said the legislation was prompted by the string of recent failures of government securities dealers.

F-A-18 jet fighter antitrust suit settled

One month after the U.S. Navy warned it might start billing them for legal expenses, two of the largest U.S. military contractors have settled a private antitrust suit over who will build the F-A-18 jet fighter for the export market. AP reports from Washington.

McDonnell Douglas and Northrop have agreed a settlement which includes a \$50m (£42m) payment by McDonnell Douglas to Northrop, and a partnership contract which makes clear that McDonnell Douglas will serve as the prime contractor for all F-A-18s, including those built for export.

Mexican export liberalisation delayed

Fierce lobbying by Mexican industry is delaying implementation of a programme designed to help export industries become more competitive by allowing them greater access to imported products. AP-DJ reports from Mexico City.

Mexico promised the International Monetary Fund in a letter of intent two weeks ago that it would implement the programme, seen as part of an effort to liberalise trade policy. But the programme, known as Dimer, has been opposed by Mexican industry.

Maryland bank move

BY PAUL TAYLOR IN NEW YORK

MARYLAND state legislators have agreed to allow Citicorp and other out-of-state banking groups to establish full-service banks in the state.

The overwhelming vote ends a month of wrangling over the legislation.

The legislation represents the latest in a series of moves by state

legislatures to override federal regulations, which generally ban interstate banking. Under its terms, any bank that first establishes limited-service banking operations in the state and then agrees to invest at least \$25m in facilities in designated high-unemployment areas and hire at least 1,000 people over a three-year period will be allowed to operate a full-service commercial bank in the state.

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25th April,
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Contact any of the Expat Advisers
at the Panaga Club on the day of the seminar

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Hilton Hotel,
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Hugo Petersens, Lloyds Bank International,
Hong Kong Telephone: 5-284004.

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WORLD TRADE NEWS

New Japan shipbuilding contracts fall 42%

By Andrew Fisher, Shipping Correspondent

NEW ORDERS won by the Japanese shipbuilding industry, the largest in the world, plummeted by 42 per cent in the latest fiscal year to end-March, Japan's Ministry of Transport said.

They totalled only 7.2m gross tons, or 299 ships, compared with 12.4m tons (633 ships) in the previous year, according to ship construction permits issued by the ministry.

In March alone, orders were 21 per cent up on the March 1984, level to 808,000 tons, but 6.5 per cent lower than in February 1985.

The collapse in total 1984-85 orders was mostly a reaction to the boost in the 1982-83 figure caused by the huge order for about 120 bulk carriers placed by Sanko Steamship, a domestic line.

The latest figures, which mirror the general decline in world-wide new building orders as the crisis in shipping markets continues, come amidst intensive government and industry deliberations about the future of Japanese shipyards.

A recent long-term study on the industry concluded that no recovery in demand was likely in the near future. About a fifth of Japan's shipbuilding capacity was superfluous at the current rate of construction, said the report by the Japan Foundation for Shipbuilding Advancement (Jafsa).

The Jafsa study, funded by the industry, was made separately from one now being carried out by the Ministry of Transport. It forecast a modest rise to 18m tons in world annual demand for new ships up to 1990.

Beyond that, it expected demand to move ahead to a peak of 27m tons in 1993 or 1994, falling off to around 23m tons in the year 2000. Japan's share would range between 40 and 50 per cent.

Cooper Rolls wins £40m gas turbine orders

Financial Times Reporter

COOPER ROLLS, a joint venture between Cooper Industries of the U.S. and Rolls-Royce of Britain for supplying gas turbine driven equipment, has won two orders with a combined value of nearly £40m.

An order from Norsk Hydro comprises five Coberra 6000 gas turbine systems to provide power generation and compression on an oil and gas platform in the Oseberg field in the Norwegian sector of the North Sea.

Cooper Vulkan, the West German affiliate of Cooper Rolls, has a contract for a single Coberra 6000 system to drive compression equipment at the natural gas storage facility of BEB, a pipeline operator, in Doettingen.

ECGD backs \$75m NZ rail loan

The Export Credits Guarantee Department has guaranteed a loan of NZ\$20m (£7.5m) for the electrification of stage 1 of the New Zealand North Island main trunk railway, which runs between Palmerston North and Ohakune, our trade staff writes.

This is the first NZ dollar loan to be backed by ECGD.

Finance has been arranged by Lloyd's Bank International working in collaboration with its sister bank, the National Bank of New Zealand who, together with Westpac Banking Corporation, will provide the domestic New Zealand dollars.

The contracts have been awarded by the New Zealand Railways Corporation to three members of the Hawker Siddeley Group: Brush Electrical Machines, Westinghouse Signals and Hawker Siddeley Rail Projects.

Action programme will be implemented for up to three years, with outlines to be decided by July
How Tokyo will respond to trade liberalisation calls

BY JUREK MARTIN IN TOKYO

THE JAPANESE Government has pledged itself to "full consideration" of trade liberalisation recommendations put forward by the Advisory Committee for External Economic Issues.

The Government's response to the recommendations calls for an action programme to be implemented for a period of up to three years, with a programme outline to be decided by July.

It emphasises that, in preparing the programme, "opinions of informed people at home and abroad will be heard as part of an effort to ensure transparency."

The following are selected excerpts from the Government's official response to the Advisory Committee's recommendation:

A. Reduction of tariff rates.
1—Japanese tariff levels are already lower than those of other countries due to such factors as reduction of tariff rates by successive external economic measures.

Measures, such as reduction of tariff rates on certain items, advanced implementation of staged reduction of tariff rates in the Tokyo Round Agreements, and improvements in the Generalised System of Preferences, all of which were announced last year, have been implemented since April 1 this year.

Furthermore, in accordance with an agreement between Japan and the U.S., mutual

elimination of tariffs on semi-conductors has been implemented since March 1 this year.

2—The Government is to draw up a five-year programme of assistance to the ailing Japanese timber industry. When that has been effected, tariff reductions on plywood and other products will be considered, but not enacted before April 1987, at the earliest.

3—Decision on reduction of tariff rates on other items will be made within the first half of this year.

B. Improvement of standards and certification systems and import testing procedures.

1—In order to contribute to the improvement of standards and certification systems, the Government will continue its review on and endeavour for the improvement of the actual state of implementation of the measures of March 26 1983, taken by the Liaison and Co-ordination Headquarters on Standards and Certification Systems, etc.

2—When pharmaceuticals and medical equipment are submitted for the examination for approval under the Pharmaceutical Affairs Law, foreign clinical test data shall be accepted for medical equipment and extra-corporal diagnostic agents which are immune to ethnic-based physiological differences.

Also, in order to ensure transparency of the process of the examination for approval of companies applying for



Prime Minister Yasuhiro Nakasone of Japan points to world trade graphic charts as he makes a statement on opening-up his country's markets.

approval, including foreign companies shall be given opportunities to hear instructions directly from and explain their products to the Central Pharmaceutical Affairs Council.

(3) Standards and certification systems and import testing procedures for individual issues will be further improved, and passage of high-cube containers will be permitted under certain conditions.

C. Encouragement of manufactured imports.
(1) The business community is requested to co-operate with

the Government in the efforts to increase imports including manufactured goods, with a full recognition that export alone can neither expand trade nor form harmonious external economic relations.

(2) Large scale import fairs will be held in various parts of the nation through such means as active use of the Japan External Trade Organisation (Jetro), and necessary support will be provided to trade fair activities sponsored by foreign governments.

(3) Specified Products Trade

Expansion Programme which was established in 1984 has already made research on sales promotion strategy in Japan with regard to wine and furniture.

Support and other efforts will be made for dissemination of the programme, and an additional number of countries and items will be considered.

(4) Expansion of Import Financing on Manufactured Goods.

In order to encourage further import of manufactured goods, the Export-Import Bank of Japan will reduce the interest rate for the import financing on manufactured goods.

(5) Implementation of campaign to encourage imports.

An intensive campaign through advertisements on newspaper, magazines, posters and on the streets and in TV programmes will be carried out to appeal strongly to the Japanese people and companies to encourage their efforts to expand import of foreign manufactured goods.

D. Enhancement of Economic Co-operation.

In order to secure harmonious development of world economy and positively to contribute to the international community, Japan will continue its efforts steadily to increase its Official Development Assistance (ODA), setting a new medium-term target for the period after 1988.

In so doing, it will endeavour, to the greatest extent possible, to improve the quality of ODA through such steps as expanding bilateral grant aid and technical assistance and responding posi-

tively to requests for contributions to international financial institutions.

E. Promotion of mutual investment.

Mutual investment will be encouraged in order to further internationalise the Japanese economy, to deepen the interdependency with other countries, and to vitalise other economies.

1—On industrial co-operation, the Headquarters for Promotion of Industrial Co-operation has been established within Jetro in order to strengthen its role to provide information. Starting this year, a special service on industrial co-operation will be provided by Jetro.

2—In order to encourage foreign enterprises to directly invest in Japan, vigorous support will be extended on a continued basis to local administrative bodies for their efforts in inviting foreign investments.

On the question of foreign lawyers' activities in Japan, the Japan Federation of Bar Associations made a basic policy decision on March 15 to accept foreign lawyers, subject to the principle that reciprocity be practically maintained and the principle that the foreign lawyers will subscribe to the autonomy of the Japan Federation of Bar Associations.

The Government will work to have an appropriate solution materialised as early as possible through full exchange of views with the Federation.

Demand for forest goods 'must expand'

DOMESTIC demand for Japanese forest goods must be expanded to meet increased competition from abroad, according to a Government White Paper on forestry released yesterday, AP reports from Tokyo.

The annual White Paper from the Ministry of Agriculture, Forestry and Fisheries said the Japanese forestry industry has suffered from recession since 1980 due to sluggish demand. The report covered the fiscal year ending March 31.

The U.S. and Indonesia, among others, have long asked the Japanese Government to reduce tariffs on forest products, especially plywood. The Ministry, citing a "structural recession," has rejected the demands in the past, but the Government of Mr Yasuhiro Nakasone, the Prime Minister, is to pledge to make reductions in the package of market-opening measures announced yesterday.

The White Paper said Japan's forest industry should be reconstituted in all stages to ensure stable supply, quality and smooth distribution, to meet competition from imports, including substitute products.

The paper said Japan, which currently imports two-thirds of its forest products from abroad, could produce 50 per cent of the nation's lumber demand by the beginning of the 21st century because forestation effort made after 1945 would come of age.

Our Commodities Editor writes: Japan is already a leading importer of timber, with a particular dominance in hardwoods (tropical timber) where it is by far the biggest single buyer.

However, the Japanese at present impose restrictions on imports of sawn timber and plywood, while allowing duty-free imports of logs to be processed by the large domestic timber industry in Japan.

There has been an increasing trend among tropical timber exporters mainly in South-east Asia, to try to retain processing of timber products domestically by restricting the export of logs.

They would also welcome a liberalisation of Japanese restrictions on imports of semi-processed timber products.

So would the U.S. which is by far the largest exporter of coniferous (softwood) timber products, including plywood.

EEC delays beef row move

By Ivo Dawkins in Brussels

THE EUROPEAN Commission has agreed a further 30-day postponement of its threatened retaliation against Canada's ban on Community beef exports.

The new timetable suggests that top-level bilateral talks between Mr James Kelleher, the Canadian Trade Minister, and senior commission officials may be bearing fruit.

Efforts are now resuming to find an acceptable quota for Canadian beef imports from the EEC that can bridge the wide gap between the 2,700 tonnes imposed by Ottawa and the Community's 23,000 tonnes sold by the Community last year.

Failure to agree will mean the Commission will press ahead with retaliatory measures against Canadian sales to Europe of a number of products including maple syrup and rye whisky.

The EEC has already given notice of these counter-measures under the General Agreement on Tariffs and Trade (GATT).

A similar row between Canada and the Community over restrictions imposed on EEC shoe exports has been resolved, however, and there are hopes that a compromise can be reached.

Canada imposed its ban on EEC beef sales after those rose from nothing to more than 23,000 tonnes in five years.

Peking setback for Australia's steel hopes

BY MARK BAKER IN PEKING

CHINA has delivered a setback to the Australian Government's plans for expanded iron ore and steel exports by announcing that no deals will be signed during the coming visit to Australia by the Communist Party Leader, Hu Yaobang.

Australia had expected that Hu, whose tour begins on Saturday, would sign the final agreement for Chinese investment in developing a new iron ore mine in the Pilbara region of Western Australia with the Hemmelsley company.

Australian officials had also predicted that agreement was likely with the Chinese on long-term pig iron contracts that would enable BHP to reopen the moth-balled Kwinana steel plant in Western Australia.

But a senior Chinese official said yesterday that there were still "gaps between both sides" in both sets of negotiations and China was not ready to make any concrete commitments.

We are not expecting anything to be signed during Hu's visit. There could be a dramatic change, but we are not expecting it," Chung Lunlai, a spokesman for the Ministry of Metallurgical Industry, said.

The Chinese announcement is likely to embarrass Australia's Prime Minister Mr Bob Hawke, who has been optimistic about the prospects for long-term expansion in iron ore and steel sales to China since his visit to Peking in February last year.

While the Chinese are believed to be still interested in the proposal to develop a new iron ore mine with Hamersley at Channar, 600 miles

could be a first step to a major expansion in crude steel sales to China.

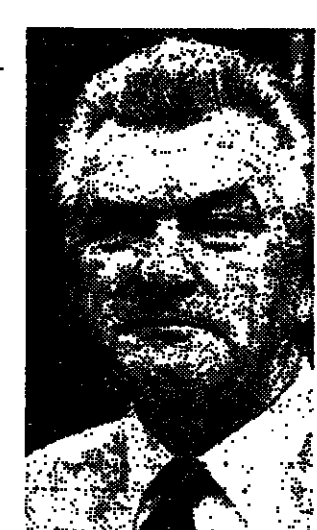
But the Chinese told BHP in October that they were no longer interested in an investment in Kwinana, and the emphasis of the negotiations switched to the possibility of reopening the plant on the basis of long-term Chinese contracts for crude steel.

Industry officials said it was now clear that, because of the world glut of crude steel and depressed prices, it was unlikely Kwinana could reopen without heavy government subsidies.

The same problem existed with negotiations over Kwinana, but did not get details of the difficulties.

"With Channar, we are talking about 20 years of co-operation, so both sides want to be prudent and get the details right," Chung stated. "It (Hu's visit) is a rather short time for both sides to negotiate any really concrete commitments."

The Chinese were initially negotiating with BHP on a joint venture to reopen the plant—a deal which Mr Hawke predicted



Mr Bob Hawke

north of Perth, industry officials indicated several weeks ago that the negotiations with BHP on Kwinana were in difficulty.

The Chinese were initially negotiating with BHP on a joint venture to reopen the plant—a deal which Mr Hawke predicted

Chrysler 'signs engine pact with Chinese'

DETROIT—Chrysler Corporation has signed an agreement to study whether to build 2.2-litre engines and minivans in China, a U.S. trade journal reports.

Ward's Automotive Reports said the number three U.S. carmaker agreed to the study with the First Automobile Works of Changchun, China.

The 2.2-litre—the main engine used in Chrysler cars and trucks—currently is made in New Jersey, Michigan and Saltillo, Mexico.

A Chrysler official quoted by Ward's said the Chinese plant may export engine components to the U.S., but not completed engines. "They would be strictly for China," the official said.

Another trade journal, Automotive News, reported this week that Chrysler and its Japanese partner, Mitsubishi Motors, may announce this week that they

will build a subcompact car jointly in the U.S. However, officials for both companies said no announcements were impending.

The two companies have been discussing joint car production for more than a year. Mitsubishi has said the cars may be made in Ohio, Indiana, Kentucky or Illinois.

The company also has held open the possibility that it would build the cars alone and sell some of them to Chrysler.

Chrysler chairman Mr Lee Iacocca is to visit this week Japan and South Korea and is expected to announce business deals with Asian automotive companies.

Alan Friedman adds from Milan: Zanussi, the leading Italian home appliance group which was last year taken over by Electrolux of Sweden, has won a major contract to build

a refrigerator factory in China. The \$17m (£15.4m) contract, which calls for the construction of a plant capable of manufacturing 150,000 refrigerators a year, has been agreed with the China North Industries Corporation (CINIC).

Together with three other contracts recently won by Zanussi, the company claims that its \$60m-worth of ventures in China will make it the leading partner in the development of Peking's "white goods" sector.

The other contracts signed in recent months include a plan to build a compressor plant (capable of producing 1m units a year), a refrigerator plant at Fuzhou (100,000 units a year), and another refrigerator plant at Shenyang (150,000 units a year).

The total refrigerator production capacity of these contracts comes to 400,000 units a year.

Credit for Dhaka

The Soviet Union will give Bangladesh credit worth \$82m (£74m) to buy equipment for a power station near Dhaka, Reuters reports. The agreement is the first major deal between the two countries since Bangladesh expelled 12 Soviet diplomats in December 1983.

The 740 MW power station at Ghorasal, about 30 miles from the capital, will be fully commissioned in 1990.

Railbus for Indonesia

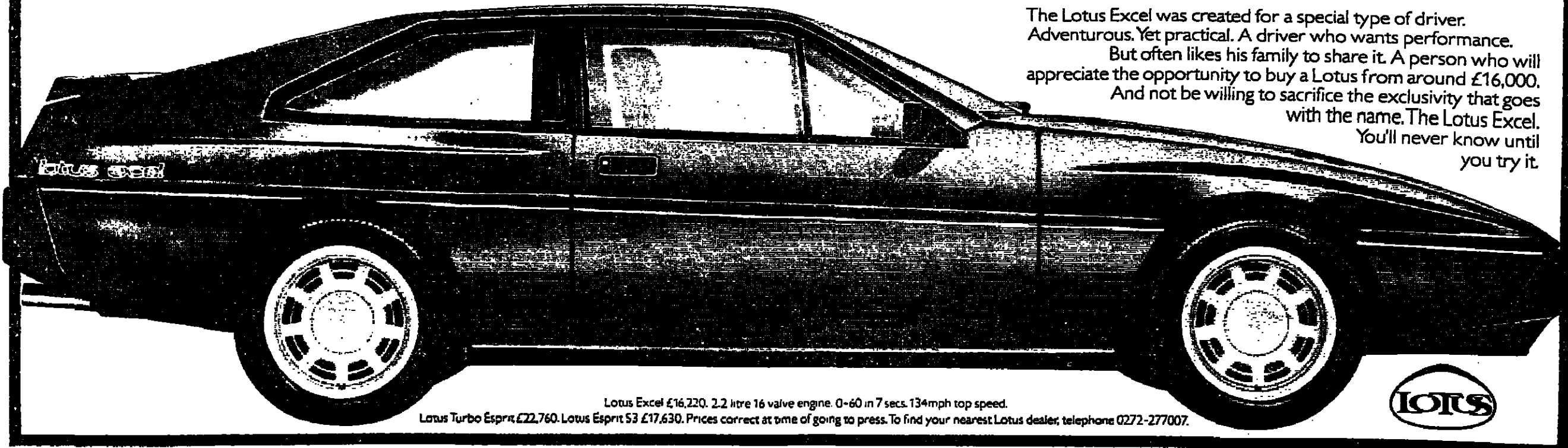
THE JOINTLY-designed and manufactured British Rail-Leyland Railbuses has won its first export order with the sale of three three-car railbuses to Indonesia, Kieran Cook writes from Jakarta.

The sale, worth £2.1m, has been made under the terms of a British Government aid grant.

British Rail's Engineering managing director, Mr Philip Norman, said in Jakarta that British Rail could be involved in collaborative projects with Indonesian Railways in the near future, and a joint manufacturing base in the country could be a way of gaining further orders.

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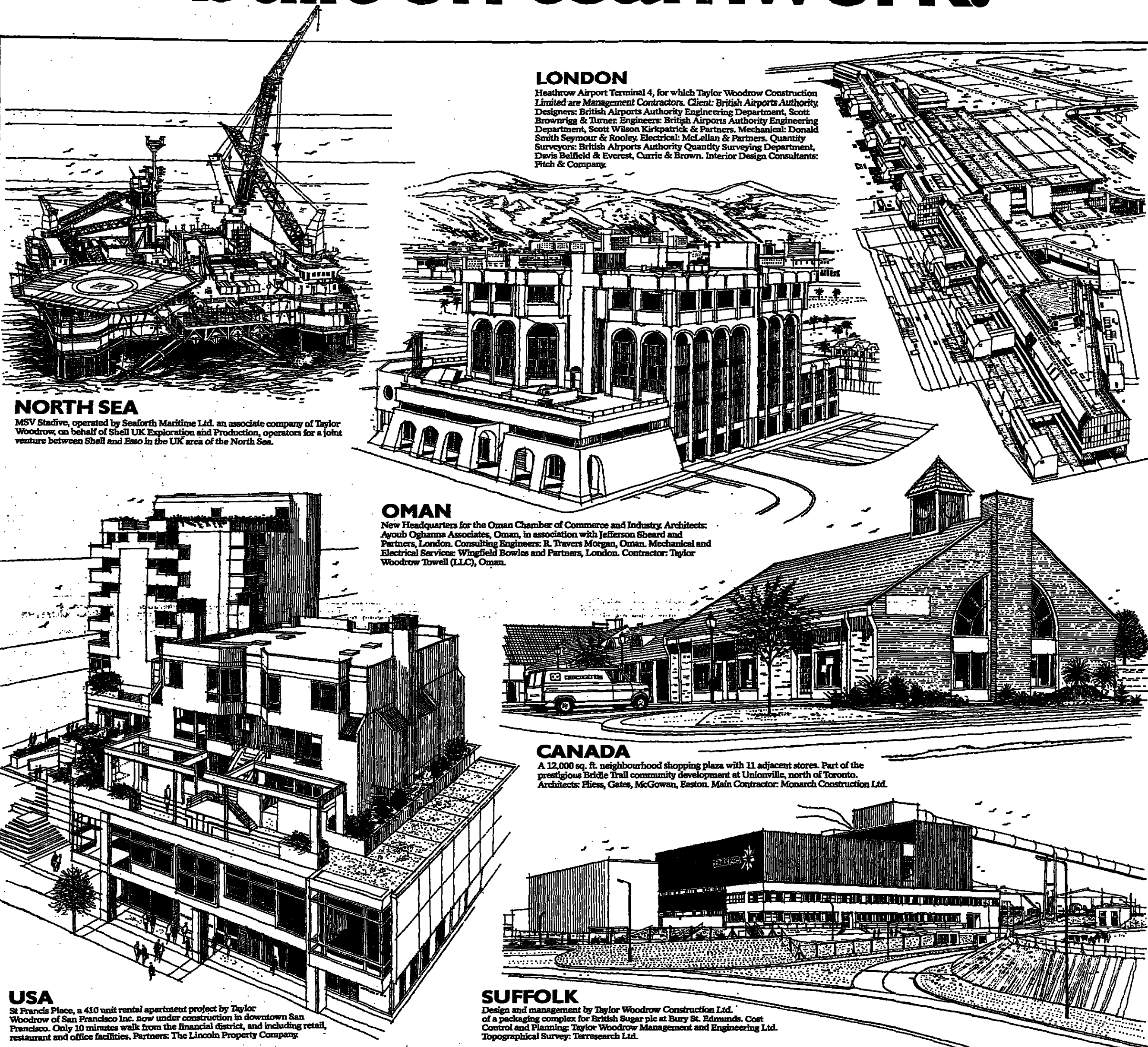
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NORTH SEA

MSV Stadive, operated by Seaforth Maritime Ltd, an associate company of Taylor Woodrow, on behalf of Shell UK Exploration and Production, operators for a joint venture between Shell and Esso in the UK area of the North Sea.

OMAN

New Headquarters for the Oman Chamber of Commerce and Industry. Architects: Ayoub Oghanna Associates, Oman, in association with Jefferson Sheard and Partners, London. Consulting Engineers: R. Travers Morgan, Oman. Mechanical and Electrical Services: Wingfield Bowles and Partners, London. Contractor: Taylor Woodrow Towell (LLC), Oman.

CANADA

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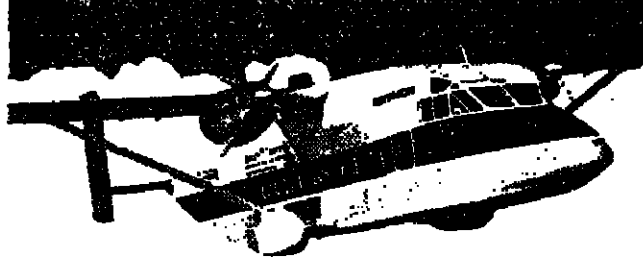


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Banco de Bilbao	13 1/2%	Meghraj & Sons Ltd.	13 1/2%
Bank Hapoalim	13 %	Midland Bank	13 1/2%
BCCI	13 1/2%	Morgan Grenfell	13 %
Bank of Ireland	13 1/2%	Mount-Credit Corp Ltd	13 1/2%
Bank of Cyprus	13 %	National Bk. of Kuwait	13 1/2%
Bank of India	13 1/2%	National Girobank	13 %
Bank of Scotland	13 1/2%	National Westminster	13 %
Barclays Bank	13 1/2%	Northern Bank Ltd.	13 %
Beneficial Trust Ltd.	14 %	Norwich Gen. Trust	13 1/2%
Brit. Bank of Mid. East	13 %	People's Trust	14 %
Brown Shipley	13 1/2%	Provincial Trust Ltd.	14 %
CL Bank Nederland	13 1/2%	R. Raphael & Sons	13 %
Canada Perm't Mgt	13 %	P. S. Refson	13 1/2%
Cayzer Ltd.	13 1/2%	Roxburgh Guarantee	13 1/2%
Cedar Holdings	14 %	Royal Bank of Scotland	13 %
Charterhouse Japnet	13 %	Royal Trust Co Canada	13 %
Choulatons	13 %	Standard Chartered	13 1/2%
Citibank NA	13 %	T.C.B.	13 1/2%
Citibank Savings	11 1/2%	Trustee Savings Bank	13 1/2%
Clydesdale Bank	13 1/2%	United Bank of Kuwait	13 %
C. E. Coates & Co. Ltd.	14 %	United Mizrahi Bank	13 %
Comm. Bk. N. East	13 %	Westpac Banking Corp.	13 1/2%
Consolidated Credits	13 1/2%	Whiteway Ltd.	13 1/2%
Co-operative Bank	13 %	Williams & Glyn's	13 %
The Cyprus Popular Bk.	13 %	Witurst Secs. Ltd.	13 1/2%
Dunbar & Co. Ltd.	13 1/2%	Yorkshire Bank	13 %
Duncan Lawrie	13 1/2%	Members of the Accepting Houses Committee	
E. T. Trust	14 1/2%	7-day deposits 10%, 1 month 10 1/2%, 3 months 11%, 6 months 11 1/2%, 12 months 11 3/4%	
Exeter Trust Ltd.	13 1/2%	21-day deposits over £1,000 11 1/2%	
First Nat. Fin. Corp.	14 1/2%	Mortgage base rate	
First Nat. Secs. Ltd.	14 %	Demand deposits 10 1/2%	
Robert Fleming & Co.	13 %	See Provincial Trust Ltd.	
Robert Fraser & Pils.	14 %		
Grindlays Bank	13 1/2%		
Guinness Mahon	13 %		
Hambros Bank	13 1/2%		
Heritable & Gen. Trust	13 1/2%		
Hill Samuel	13 1/2%		
C. Hoare & Co.	13 1/2%		
Hongkong & Shanghai	13 %		

Competitive pressures are reshaping a once staid British industry, Sue Cameron reports

Book publishers turn over a new leaf

THE BRITISH book publishing industry finally appears to be shedding the gentlemanly and distinctly undynamic business image to which it has clung for so long.

In the past month, three publishing businesses have changed hands. Two weeks ago Routledge and Kegan Paul, which was controlled by the Franklin family, was sold to Associated Book Publishers, whose imprints include Methuen and Eyre and Spottiswoode, in a £4.4m deal. At the same time London Weekend Television announced that it was merging its wholly owned subsidiary, Hutchinson, with the privately owned Century Publishing. London Weekend, which is to retain a 25 per cent stake in the new Century Hutchinson company, is to receive £3m in cash and £5m in Century Hutchinson shares.

Last week came the news that Penguin publishing, part of the Pearson group, which publishes the Financial Times, was taking over a substantial part of Thomson Books' business, for an undisclosed sum. The sale of the Thomson Books' imprints is expected to add an extra £25m a year to Penguin's sales. Thomson is part of the International Thomson Organisation.

In the book industry - unlike some manufacturing sectors - sheer size does not necessarily confer big advantages. As Mr. Peter Mayer, Penguin's chief executive, said this week: "Size can give you some economies of scale but each book still has to sell on its merits. That's why our creative people are so important to us."

Yet skilful marketing is a key element in ensuring profitability in book publishing - and it is one that was long neglected by many companies in the industry. Marketing was certainly an important factor in the methods used by Mr. Mayer to turn Penguin round. Mr. Mayer, who has spent most of his life in the U.S., came to Penguin in 1978 and since then he has changed a £242,000 loss in 1979 to a £9.1m trading profit in 1984.

"I think the whole industry has become more aggressive," he says. "Before, there was a feeling on the

part of many publishers that they knew best what their readers wanted. There is now a drive to get out there and find out what the market wants - and then provide it."

He modestly admits that Penguin "might have been in the lead" in taking a more robust approach to marketing. But he emphasises that that is very much in the Penguin tradition and that when the company was founded in the 1930s one of its main outlets was the Woolworths chain - as opposed to the "learning emporia" favoured by most other book publishers at the time.

Mr. Mayer's arrival at Penguin coincided with a thoroughly bad patch for the whole of the UK book publishing industry. In 1980, after a substantial wage settlement, printing costs rose by as much as 20 per cent. At the same time the strong pound ate into export sales.

"After 1980, a lot of companies had to do a lot of things very quickly," recalls Mr. Derek Terrington, an analyst at Grieson Grant, a London stockbroking firm. Collins, for

example, revamped its printing operation, sold off its head office building and improved its overseas selling organisations. Up to then, many publishers had tended to look for a comfortable life. Some of them preferred a good lunch with an interesting author to going out and making money.

"One of the first things Mr. Mayer did at Penguin was to heavily prune the backlist - a publisher's list of existing titles as opposed to new ones. A backlist is any publisher's most valuable asset - but it is less valuable if it includes a whole lot of slow moving books."

"The other thing Penguin did was to go very hard on marketing. And that includes a range of different measures from producing more sexy books - literally - to designing new, more attractive covers."

Penguin concentrates on general book publishing which includes fiction. A serious rival to Penguin in that sector is William Collins, which has just completed a five-year plan to improve profitability. Collins's sales last year rose from £105.1m to £126.6m and pre-tax profits increased by 37 per cent from £8.55m to £11.75m.

Hodder and Stoughton is another strong competitor in the general field and Penguin - which has UK sales of £43m and U.S. sales of \$37m in 1983, the last year for which figures are available - says it also keeps a wary eye on the Oxford University Press.

OUP publishes some classics and has a strong children's book list - although it is best known for its presence in the more specialised publishing sector, which covers academic, scientific and technical books. The biggest UK company in that area is Longmans, which, like Penguin, is part of the Pearson group.

The total UK market for books in 1982, the last year for which figures are available, was estimated to be worth some £860m at retail prices. Of the total, imported books accounted for only £51m. Around £250m worth of books were bought by institutions, such as universities, colleges and libraries, with the other £600m being accounted for by consumer spending. Sales of hardback books were worth £151m and paperback books £245m.

The UK publishing industry is also extremely proud of its export sales, which are valued at £270m at publishers' prices. Sales of learned journals, at home and abroad, are thought to be worth an additional £150m a year.

The one area where British books publishers have consistently failed to do well is in the U.S. market. Mr. Terrington observed that "most of them tried and they have all got bloody noses." Even Penguin's dynamic Mr. Mayer admits that his company has "ups and downs" in the U.S. although he emphasises that the results from America for last year are expected to show a strong improvement.

Up to 1976, UK publishers - and their U.S. counterparts - had enjoyed an extremely cosy arrangement under which they divided up the world market between them. The agreement - known originally as the British Publishers Imperial Agreement and, more latterly, as the British Publishers Traditional Market Agreement - met a sticky end at the hands of the U.S. Justice Department, which brought a successful anti-trust case against it nine years ago.

The agreement split the world into the British sphere of book publishing interests - the UK itself plus the Commonwealth countries - and the American sphere - the U.S. plus places such as the Philippines. (The rest of the world had been an "open" market). UK and U.S. publishers agreed not to trespass on each other's territory and transatlantic marketing deals were done as a matter of course.

The ending of the agreement in 1976 did not prevent individual U.S. and UK publishers from doing

geographical marketing deals on specific books - after free and fair competition. But it did put a stop - perhaps rightly - to the previous system of automatically dividing up world markets. The result was that UK and U.S. publishers had to try far harder in each other's markets - but many of them came unstuck.

From the British point of view, there seems to have been a string of reasons for such lack of success. Although Britons and Americans speak what is nominally the same language, the cultural gap between the two countries is considerable and a book that may appeal to UK readers might easily be a flop in the U.S. - or vice versa.

Second, book retailing in the U.S. seems to be a much slicker operation than in Britain. In America,

books tend to be turned over more quickly, remaindered more quickly - and U.S. retailers expect considerably higher margins than some of their more dedicated, tome-loving equivalents in Britain.

Penguin's Mr. Mayer is careful to note that "traditional U.S. publishers have not done well over here".

Perhaps there is still a killing to be made for the company - whether British or U.S.-based - that can successfully cross the cultural ocean. Meanwhile, the UK industry is busily defending itself against what the Publishers Association describes as the "two great pressures of our day": the photocopy at home and piracy abroad.

On the first front, the association set up a licensing agreement with educational institutions that came into force last November. The idea is that the institutions pay a basic fee plus a charge per item copied. The money is then distributed between the publishers whose pages have been copied.

Laymen might say that the scheme looks suspiciously like a cheaters' charter. But the association says disingenuously that the system will at least give photocopying personnel peace of mind from a legal point of view. It adds that until the new system has been going for at least a year, there will not be any evidence about cheating - one way or the other.

On the piracy front, the association appears to be having more concrete success - perhaps because it is taking a tougher legal line. What has been happening is that in some parts of the world, certain books have been photocopied - as it were - wholesale and then reprinted. But two months ago an important copyright protection case, brought on behalf of a number of named companies, plus other members of the Publishers Association, was won in Singapore.

The bringing of the case, and the victory that ensued, was perhaps another sign that the once sleepy world of book publishing is slowly coming to terms with the modern business world.

Imports of coal to be resumed by CEBG

By Maurice Samuelson

THE ELECTRICITY industry is planning to resume imports of coal for its power stations in the south east of England now that the handling of the coal is no longer "blocked" by unions because of the miners' dispute.

The first coal is expected to arrive shortly from the Netherlands where, before the strike, the Central Electricity Generating Board (CEGB) had built up a stock of about 3m tonnes, much of it purchased from Australia on a long-term contract.

During the strike, which ended a month ago, the CEBG refrained from moving that coal to England in case the action provoked a confrontation with the seamen's and power-station unions.

Most of the coal was delivered instead to overseas customers of the National Coal Board who were unable to obtain deliveries from Britain.

About 1.9m tonnes are believed to be left in the CEBG's continental stocks. The board is anxious to start drawing on them in anticipation of next winter, when it hopes to begin with at least 24m tonnes at power stations.

Although the CEBG is negotiating with overseas suppliers about future deliveries, the continental stocks are not likely to return to the high levels of last March. They might be run down to as low as 200,000 tonnes.

Since the Government has decided that it will no longer pay the stocking charges, the CEBG intends to keep them at a lower level.

The CEBG is determined to keep at least some overseas coal in stock as a bargaining counter in its price negotiations with the coal board.

The CEBG's record for electricity production in England and Wales, which had stood since 1980, was broken four times last winter and reached a high of 46,219 megawatts on February 17.

Commercial vehicle sales rise by 5%

By John Griffiths

THE UK commercial vehicles market continued its slow recovery in the first quarter of this year, with total sales up 4.98 per cent compared with the first quarter of 1984, according to Society of Motor Manufacturers and Traders statistics.

For March alone, sales were up 8.06 per cent, from 29,114 to 32,178, compared with the same month last year.

The best performance, by a substantial margin, was by the utility four-wheel-drive sector, with BL's Land-Rover subsidiary being almost entirely responsible for the sector's first-quarter sales increase of 17.81 per cent, from 3,295 units to 3,882.

Sales of light vans, those derived from cars, did not share in the general uplift. They rose by only 0.82 per cent in the quarter.

Continental Airlines to fly Houston-Gatwick

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

CONTINENTAL Airlines of the U.S. has been awarded the route from Houston, Texas, to Gatwick, London, by the U.S. Department of Transportation and plans to start services on April 29. The decision is expected to be ratified by the UK Department of Transport.

Continental, which will use DC-10s on the route, plans to offer "sharply competitive fares." Those are being filed with the U.S. and UK governments and will be announced this week.

The airline's service will replace that of Pan Am, which ceased direct flights on the route in 1982.

The U.S. carrier will compete with British Caledonian, which also serves Gatwick-Houston direct. Houston is Continental's home base serving 37 destinations in the U.S. In all, Continental flies to 72 destinations worldwide, with a fleet of 108 aircraft.

People Express, the low-fare U.S. airline, has increased the number of flights on its Gatwick-Newark (New Jersey) route to offer a daily service each way for the summer season.

The airline says that, throughout its U.S. and international network, it carried more than 2.6m passengers in the first three months of this year, against 1.8m in the same period of 1984.

Dan-Air, the UK independent airline, is applying for scheduled services from Gatwick to Seville and Santiago in Spain, two important business centres.

The move is part of a build-up of a new network in the Iberian Peninsula. The airline has applied to the UK Civil Aviation Authority for routes to Madrid, Lisbon and Alicante.

CORRECTED NOTICE

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Bank Leumi (UK) plc announces that with effect from 9th April, 1985 its base rate for lending is reduced from 13.5 per cent to 13.25 per cent per annum.

The seven day notice deposit rate will be 10.25 per cent

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For three months, April 4, 1985 to July 4, 1985, the rate of interest has been fixed at 9 1/2% P.A.

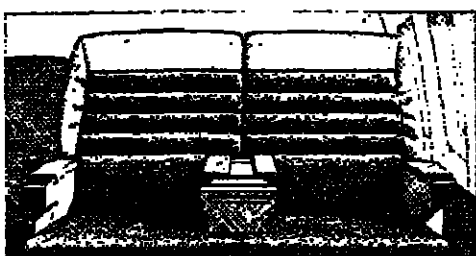
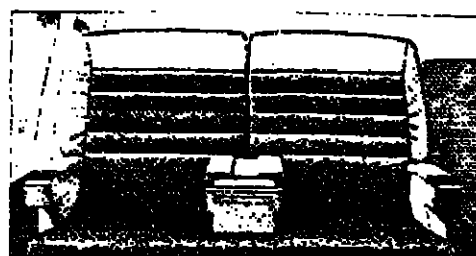
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UK NEWS

Big pay claims for 'equal value' face industry

BY JOHN LLOYD, INDUSTRIAL EDITOR

CASES brought by women claiming often substantial increases in earnings under the "equal value" amendment to the Equal Pay Act are building up - with evidence of high out-of-court settlements.

In the banking sector, in particular, officials of the Banking Insurance and Finance Union (Bifit) are studying areas where "equal value" cases can be taken on behalf of potentially thousands of female employees.

In the nursing profession, the Royal College of Nursing is drawing up job evaluation criteria aimed at showing if and where many of the 10,000 occupational health nurses employed by companies are paid below their jobs value because of their sex.

Specific cases under consideration by the independent experts appointed by the Advisory Conciliation and Arbitration Service (Acas) - including cases involving female fish pickers in Hull, a college house mother in Devon and a female clerk for Mersey Docks and Harbour Board - are likely to be settled in favour of the complainant either in or out of court.

Acas has over 70 applicants who want to bring equal-value cases, with only some half a dozen as yet being considered by the experts.

In a well publicised case settled last December involving Ms Julie Hayward, a cook employed at shipbuilders Cammell Laird, a judgment by a Liverpool industrial tribunal brought a £30 increase in a weekly wage of £38 to take Ms Hayward up to the pay level of a skilled (male) craftsman.

In the printing industry, the print union Sogat 82 has claimed a breakthrough national agreement, starting this month and worth £10m a year, under which 25,000 women bookbinders and collators will have pay rises over three years to the level of male machine assistants.

A number of cases are being set-

led out of court. In one recent case, it is understood that a female visual display unit operator working in the print industry was awarded an increase of at least £100 a week to bring her into line with a male typesetter in the same printing company.

Such cases are taken under the equal-value amendment to the Equal Pay Act, reluctantly brought into law by the Government in 1983. The amendment, necessary under a European Commission directive binding on all member states, allows workers - mainly women - to claim increases in their pay if they can prove before an industrial tribunal that their work is of equal value to a male worker.

The two jobs compared may be quite different, as in Ms Hayward's case, and the role of the independent expert is central. The expert has the primary fact-finding role in the case and once the report is made it can be challenged only in a very limited way by the employer.

It is no part of the expert's job to consider the "market level" of wages in the company or region concerned.

The workings of the amendment and the initial trend of cases run directly counter to the Government's practice and philosophy of allowing wages to find their market level.

Ms Ivy Cameron, a national official of Bifit, said that the secretarial staff in banks - 90 per cent of whom were women - often had data processing and technical skills that would appear to make their work at least equal value to male technical and services staff - although the latter group earned typically between £1,000 and £2,000 more.

Senior bank officials play down the possibility of large-scale equal-value applications, but concede that some women employees may be able to claim equal value with, for example, messengers whose skills are no greater but whose wages are.

Top-level management shake-up at Dixons

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

DIXONS, the electrical retailer, yesterday announced a series of top-level management changes and internal reorganisation after its acquisition of the Currys chain last December in a deal worth £248m.

All the retail companies within the group are being combined into an enlarged retail and photo-finishing division to be called Dixons Stores Group. That will comprise Dixons, Currys, Bridgers, Mastercare, Dixons Colour Laboratories, and Dixons Stores Far East.

Mr Mark Souhami, formerly managing director of Dixons, will become chief executive. Mr Eddie Styring, marketing director of Dixons, will become managing director. Managing director of the Currys retail operation will be Mr Eddie Dyan, previously managing director of Dixons Colour Laboratories.

Dixons, which sells photographic and electrical equipment, acquired the Currys business, which retails consumer durables, such as televisions and washing machines, after a bitterly fought takeover battle.

ROYAL ORDNANCE LIKELY TO BE FLOATED AS PUBLIC COMPANY

Future of arms factories planned

BY LYNTON MCLEIN

ROYAL ORDNANCE Factories, the state arms and munitions organisation, is preparing a strategic plan for its future as a quoted public limited company. The organisation is expected to be privatised by the summer or autumn of next year.

The plan is to be put to Mr Michael Heseltine, the Defence Secretary, who is the sole shareholder of Royal Ordnance, before the end of this year. It will include recommendations by Royal Ordnance management and its merchant bank advisers, Lazard Brothers, as to which route they prefer for the injection of private capital into the organisation.

Officials at the Ministry of Defence and management at Royal Ordnance are working on various options for injecting private capital into the organisation.

Royal Ordnance has no plans to close any factories, although the workforce at Puriton, Bridgwater, Somerset, where explosive for ammunition is made, will continue to be adjusted to "the rise and fall in the order book."

It also said the reduction in orders at Bridgwater "is a cause for concern." The workforce of 800 was told yesterday that the factory was not to be closed, but there was no

promise by management that there would be no more redundancies.

Royal Ordnance is under a mandate from the Government to ensure that it operates commercially and becomes a viable company in the 18 months or so left before privatisation.

"There are no specific instructions to Royal Ordnance to streamline its operations or to axe specific factories," the Minister of Defence said.

The Government has said that the "most likely" method of privatising Royal Ordnance is through a flotation of shares, but the separate sale of the four subsidiary divisions,

covering ammunition, explosives, small arms and weapons and fighting vehicles is not ruled out.

The Government has prepared itself for a possible ruling by the European Court of Human Rights that compensation paid on the nationalisation of shipbuilding and aircraft assets in 1977 was not high enough, Andrew Fisher writes.

The admission that the court could decide that the original compensation was too low was made in a letter from a top legal official of the Department of Trade and Industry to the U.S. Securities and Exchange Commission (SEC).

Change made in FT-Actuaries Share Indices

BY OUR FINANCIAL STAFF

THE FT-Actuaries Share Indices will from today include an ex-dividend (xd) adjustment on all equity indices. That will show an aggregate figure for the accumulated net dividends paid to date by constituent stocks in each group and sub-sector index during the calendar year.

The net dividend declared by a company, interim or final, will be added to the xd adjustment on the day the stock goes "ex-dividend."

Thus the adjustment changes on an xd day - at the beginning of each stock exchange account, usually once a fortnight.

One of the most important uses of the FT-Actuaries Indices series is in performance measurement. In particular, portfolios are often matched against the all-embracing All-Share Index with 739 constituent stocks.

The indices as they stand, however, reflect only the performance of a closed fund, such as an invest-

ment trust, which distributes all its income. In practice, most funds are open-ended with dividends reinvested.

Until now, those using the indices have had to make their own adjustments for reinvested income, and there are minor inconsistencies between the various measurement services.

The use of the xd adjustment will provide a consistent basis for

amending the indices. Pension funds will have to gross-up the adjustment, since it is on a net basis, allowing for tax at 30 per cent.

When a stock goes xd, its share price falls by an amount roughly equivalent to the net declared dividend, a drop reflected in the index. That can be an important influence in a sector dominated by one stock. In future, such a discontinuity can be smoothed out by adding back the xd adjustment.

PR Records plans £5.5m plant to make compact discs

BY JASON CRISP

PR RECORDS, a small manufacturer of conventional vinyl audio records, is in the final stages of raising £5.5m to build a plant to make compact discs in Britain.

It will be the second company to make compact discs in the country after Nimbus Records, another small company, which started production last year. PR Records is being backed by 3i Ventures and several other venture capital organisations.

Compact discs were launched two years ago and are expected eventually to replace conventional records. The small, silvery discs are "read" by a laser beam. The discs do not wear and the digital sound is claimed to be of better quality than conventional analogue records.

Mr Phil Race, chief executive of PR Records, says the company will make discs for data storage as well as audio products. By the end of the decade that might account for a third of its output. A compact disc can store huge quantities of data and may be used as a database for computers.

Unlike magnetic discs, compact discs cannot be changed once pressed, but they are expected to be used for a variety of applications

from transaction records to encyclopaedias.

PR Records' plant will be within 30 miles of London and is expected to start production in May or June next year. The initial capacity will be for 4m discs a year with possible expansion of up to 12m.

The company will be spending £4m on capital equipment, including a full mastering facility from Philips, the Dutch electricals group, which developed compact discs. The new plant is expected initially to employ about 60 people.

A company, Disc Technology, will be set up with £2.25m equity finance from 3i Ventures and other organisations. Disc Technology will own PR Records, which will continue to make conventional long-playing records, and Discotec, which will manufacture compact discs. Mr Race will own about 30 per cent of Disc Technology.

The remainder of the finance - just under £3.5m - is expected to be raised through leasing. The final arrangements on financing are not expected to be completed until next month.

PR Records has recruited Mr Jim Johnston, from Thorn EMI, who set up its video disc production plant in Swindon, Wiltshire.

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And the future looks bright too. In 1985 LASMO will be involved in even more exploration work and development of existing discoveries. Worldwide the Company expects to participate in more than 250 wells,

spread across its rapidly expanding acreage portfolio, which rose 70% in 1984 alone.

So while looking ahead with confidence, let's not lose sight of last year's financial achievements.

	1983	1984		
	£ million			
SALES	216	263	UP	22%
PROFIT BEFORE TAX	90	113	UP	26%
PROFIT AFTER TAX	25	32	UP	27%
CASH FLOW AFTER TAX	50	117	UP	132%

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MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

DEREK KINGSBURY gazes out across the anonymous West London suburb beyond his office window, and in a quiet voice that judiciously weighs every word, he pronounces on the difficulties of shaking up British industry.

"A number of my top managers," he says, with a frankness unlikely to endear him to them, "are very competent and able men who just fail to grasp the need to move into new products and markets. It is sad to see people limited by their own very excellent experience and knowledge, trapped so to speak into retreating back into the markets they know. And this problem is a bit of a national disease."

Diagnosis of Britain's industrial ills, and how to solve them, are two a penny. But Kingsbury can speak with more authority than most: he is in the front line.

As chief executive of Fairey Holdings (a sister company to the Financial Times in the Pearson group) he heads a medium-sized company in a sector that has been straining to adapt to the pressures of recession at home, fierce international competition, and a rapidly changing technology which is forcing traditional metal-bashers to learn to love the chip.

And in the case of Fairey, the problems of adapting have been intensified by a history of controversial ownership changes that sapped company morale.

Kingsbury, 58 and a former deputy chief executive of the Dowty group, was brought in to Fairey two and a half years ago, not long after the company was acquired by Pearson from the National Enterprise Board. He faced three major challenges: to merge Fairey with Pearson's existing engineering interests; to improve the company's financial performance in the middle of a recession; and to set a long-term growth strategy.

It is still too soon to judge his success, but the early results look good. Financial and productivity statistics are all pointing in the right direction and last week Fairey reported a 37 per cent jump in 1984 pre-tax profits.

It has also been on the acquisition trail, buying 11 businesses over the past two years—albeit small ones—and taking minority stakes in several more.

Above all, perhaps, the company seems to have regained a sense of identity, to know where it wants to go. Derek Kingsbury certainly does. He is a quiet, unassuming man, with a tough core. "He's a very good listener," says one time manager, "and he lets you get on with the job. But he's very

Fairey Holdings

In search of flexibility

Martin Dickson on the UK engineering group's efforts to meld a mixture of activities



Derek Kingsbury: devising a strategy for an evolving group best known for aircraft controls, military girder bridges and patrol boats

penetrating when weighing up your business plans and tough when he needs to be."

Improving Fairey's morale after the upheavals of the past decade will have required of him the qualities of a diplomat as much as those of a general.

Between 1977 and 1980 Fairey seemed to be changing hands with as much speed and as little dignity as a package in a game of pass-the-parcel. The collapse of its once mighty aircraft side threw the group into receivership in 1977, whence it found its way into the hands of the National Enterprise Board—which controversially bid for the company under the nose of Trafalgar House.

A change of Government policy towards the NEB saw it sell off Fairey to Pearson for £22m just three years later. Controversy surrounded that deal too, when Fairey plunged to £2.5m loss instead of the £4m pre-tax profit forecast in advance of the sale.

Pearson already had an engineering division—Doulton—and merging this with Fairey presented its own problems, for the two businesses were very diverse, with not much in common.

Fairey was best known for its power controls for sophisticated aircraft, such as the vertical take-off Harrier; its military girder bridges; patrol boats; and the esoteric art of indus-

trial filtration. Doulton, as the name suggests, was heavily involved in industrial ceramics: water filters, jet engine cores and electricity insulators, though its interests ranged much more widely than that.

"It is not easy," observes Kingsbury drily, "to evolve a business school strategy for a mixed group of engineering companies."

And the task was complicated by the perception that many of the group's businesses were in traditional products, with limited growth prospects. Fairey wanted to expand into more rapidly growing sectors, such as electronics. So any new management structure would need a degree of flexibility, allowing new purchases to be absorbed easily and logically.

The Kingsbury solution was to group the 26 Doulton and Fairey subsidiaries into five divisions, each bringing together companies which either attacked the same market or had a common marketing approach.

The largest, in terms of turnover, is energy and military engineering, which accounts for about 40 per cent of group sales, with products ranging from military bridges to nuclear power station equipment. Systems and electronics, which includes aircraft hydraulics and industrial robotics, accounts for around 30 per cent of sales, with 15 per cent, insulators 10

filtration and industrial ceramic and marine products 5 per cent.

"The divisional structure makes sense," says one line manager relatively new to the group. "If you're trying to sell products to similar buyers in, say Latin America, it is just plain sensible to pool your resources."

Each company continues to operate as an autonomous unit, but Fairey managers both at head office in Heston, Middlesex, and out in the field say the new structure means tighter controls from the top, particularly financial.

It also gives employees a much clearer idea of the organisation they are working for.

"Every senior recruit wants to feel he understands what the group is about and where he is going," says Kingsbury. "The more diverse you are, the more difficult it is to see that career pattern."

Tighter financial controls have been reflected in the group's improved performance. Pre-tax profits have risen from £8.7m in 1981 on turnover of £117m to £14.07m in 1984 on turnover of £162.6m, despite the impact of the miners' strike on one subsidiary and recession in Nigeria on another.

Return on net assets has gone up from 14.7 per cent to around 25 per cent over the same period—well above those for engineering companies at the

metal-bashing end of the sector but below those for the high-tech companies to whose ranks Fairey aspires, such as Plessey and Ferranti.

The improved performance has been helped by tighter controls on overheads and working capital and a degree of rationalisation involving the loss of just 300 jobs out of a total staff of just over 5,000. The group's winches operation has been sold, an exhibitions company went in a management buy-out, and Fairey Marine's three Solent yards were reduced to one.

In weathering the recession, Fairey has had two advantages denied to many British engineering companies. First, although its share of most of its markets is small in international terms (military bridges and flying controls being exceptions), its products tend to be well established in individual niches.

Second, a large proportion of its output is bought by public bodies—be it systems controls for military aircraft, patrol boats for coastguards, or insulators for electricity utilities—and this has provided something of a sales safety net.

But while the product mix is a strength now, the traditional nature of many of Fairey's goods could become a source of weakness unless the group innovates. This it is trying to do with both an increased research

and development spend, capital investment and the purchase of small high tech companies.

Fairey sees the strongest growth prospects in three areas:

● Filtration. Calls for finer and finer tolerance engineering components are making equal demands for more sophisticated filtration systems to protect the components from fluid impurities.

It is also investing in high performance industrial ceramics—widely regarded as an important engineering material of the future—by establishing a new company, with an initial £2m development programme.

● Control systems. Fairey has long been an important manufacturer of flight controls, but over the past four years it has branched out into the manufacture of industrial robots, both in Britain and in France, where it is the majority partner in the joint venture company Climax Automation.

It is still a very small player in this market, and its UK orders have been hard-won and relatively few, but the company is heartened by a sharp rise in business over the last few months.

● Electronics. Over the past two years Fairey has bought four small electronics companies, two in the U.S. and two in Britain.

In the UK it has also taken minority stakes in two electronics companies and a software house, working on the principle that to buy such businesses outright can be counter-productive; the staff just vanish to set up independently. "This is seed-corn investment," says Kingsbury. "It's like venture capital but better. We don't just throw money at them. We have the knowledge of marketing and finance and can act like an elder brother."

Fairey's electronics ambitions are intimately linked with its plans for the systems division, for the components it produces now—be it robots or flight controls—are merely part of a chain that is ultimately controlled by micro-processors and software.

"It is interesting the number of U.S. companies that have broken into the defence market over here with electronic packages," says Kingsbury. "If they can cross the Atlantic this way, we should be able to do so the other way."

That may be so, but as technologies increasingly intersect, Fairey is likely to find itself a minnow in a sea with some extremely large and aggressive fishes. Will it be able to compete? The company thinks so, provided it can identify the right niches.

Management abstracts

Aftermath of the matrix mania.

R. A. Pitts and J. D. Daniels in *The Columbia Journal of World Business* (U.S.A.), Summer 1984 (seven pages). Notes that over a decade ago the theorists were predicting that multinationals would move to a matrix form of organisation: reports from a recent study that they have done no such thing, and have found that the unitary organisation can be adapted to provide the benefits claimed for the matrix.

Managing contract execution. W. Jones in *Chartered Mechanical Engineering* (UK), October 1984 (two pages).

Maintains that the work entailed in contract execution is pure commonsense (even where the period leading up to handing-over the finished item is lengthy), that success depends entirely on thorough initial groundwork; outlines "landmarks" in the process of managing a contract.

Reception areas. C. Gold in *Designers' Journal* (UK), November 1984 (seven pages). Delves on the need to create good first impressions, as typified by companies' reception areas; notes the need for designers and clients to work together to create reception areas; illustrates five such areas, ranging from IBM's Chiswick offices' "cool modern image" to advertising agency Leagas Delaney's talking point of a reception desk.

The counselling function and its role in effective management. D. K. Carnahan in *Creativity & Innovation Network* (UK), Oct/Dec 1984 (four pages). Cites the electronics industry as an example where management has started with a clean slate; managers have encouraged employees with job enrichment and in self-selection of objectives through counselling and consultation; contrasts this state with the internal struggles of older industries, with traditional management cultures.

Risk assessment in less-developed countries. J. W. Kennedy in *The Columbia Journal of World Business* (U.S.A.), Summer 1984 (four pages). Examines how foreign exchange risks from investment in less-developed countries (e.g. South Korea) can be identified and how this can provide opportunities for multinationals to minimise economic exposure and capitalise on new growth.

Cryptography for computer security. W. W. Fisher in *Computers and Security* (Netherlands), Aug 1984 (five pages). Gives an introduction to the use of cryptography (defined as the process of writing in secret characters) for computer security; explains what it is and compares it with other security procedures. Offers a guide to deciding when cryptography is appropriate.

Consumerism in an era of decline. J. M. F. Box in *European Journal of Marketing* (UK), Vol 18 No 4 (114 pages). Questions, from U.S. research opinion and a market research survey in the Netherlands, whether consumerism, as a movement, has a future in a decade of probable increasing unemployment and income reduction. Shows how life-cycle theory can be applied to a social movement like consumerism, indicating that—in the U.S. at least—it is probably at the maturity stage, and likely to decline in the near future; concludes, however, that it is likely to be stimulated by technological innovation, social change and more advanced measuring techniques.

Employees Make Performance Review Rules. R. J. Giles in *Public Relations Journal* (U.S.), October 1984 (3 pages). Argues that performance appraisal of public relations jobs requires employee involvement in creating performance criteria; describes the introduction of such a system by Anthony M. Franco Inc., explains the appraisal forms and conduct of appraisal meetings; claims low annual investment of time and good results.

Retrenchment and human resource erosion. C. H. Levine in *Public Personnel Management* (U.S.), Autumn 1984 (15 pages). Maintains that "deregulation" (the short-term downward adjustment of budgets across a wide range of categories by which managers cope with the need to retrench), leads to a gradual decline in levels of skill, energy, morale, commitment and health. Managers must therefore develop a strategic approach to revitalising departmental human resources.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at £3 each (including VAT and p. and p. cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

TECHNOLOGY

HIGH RESOLUTION SYSTEM FOR MAPPING SHALLOW WATERS

Sidescan sonar senses the seabed

BY DAVID FISHLOCK, SCIENCE EDITOR

BATHYMETRICS is a high-technology tenant of Bath University, renting laboratory space in the school of electrical engineering, where the technology was born. According to Roger Cloet, the creator, bathymetry is both "the art of measuring the seabed and an awful pun on the city."

It is the name this infectious enthusiasm geologist has chosen for a new company the university is encouraging him to launch, to exploit four years of research in its laboratories, as a research fellow funded by a £150,000 grant from the Science and Engineering Research Council, and another £34,000 from the British Technology Group, to set the "know-how" on record for licensing purposes.

The outcome, Cloet claims, is an inexpensive yet high-resolution system for mapping relatively shallow waters in three dimensions. It is quick and convenient enough to be used by any "ship of opportunity," rather than needing a dedicated survey vessel.

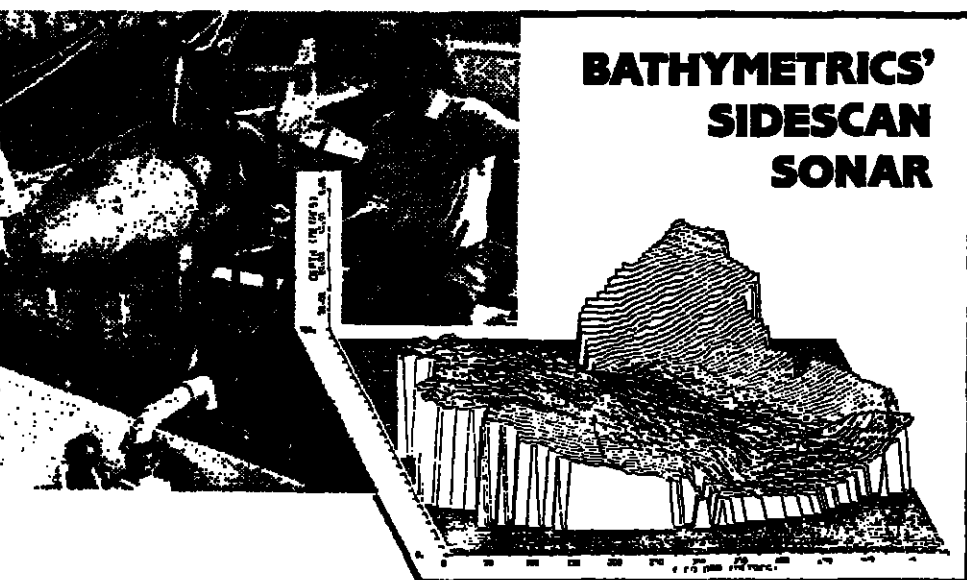
Dr Cloet has spent his life surveying the seabed, much of it for the Navy's Hydrographic Survey. He earned a reputation for asking unwelcome questions, such as why charts should be much more detailed near home than for more distant waters. (He says it is simply because of the way the Navy pays its hydrographers: it's cheaper to have them work near home.)

Seabed surveying is always a compromise between the need to find and measure high points and the time available for the survey. Accuracy of the positioning system, so that the surveyor can precisely locate his features, is another constraint.

He is in the final stages of negotiating a licence from the British Technology Group, for a surveying system which BTG believes has features unrivalled commercially at present, notably its application to shallow waters and the speed with which it processes data.

Dr Cloet believes his technique can produce a new kind of map that draws the high points so that they are more readily recognised by the map-reader. In addition, his proposed maps will show seabed instabilities—sandwaves and which way they are travelling—something that surveys do not chart today.

The technique is a variant of the sidescan sonar technique



On the left, a "fish" designed to carry the Bathymetrics transducer array; on the right, an example of what it can produce

under development for the past 20 years, in which Bath University's department of physics has had a long-standing role. It uses a swathe or sheet of ultra-sonic energy to image the seabed.

An array of three transducers is used to transmit the sheet of sound from a "fish" or towed vehicle. They provide a narrow beam in azimuth (at right angles to the fish) and a broad beam in elevation. The high frequency used, 303 kilohertz, gives typically a range of 100 metres at depths of 20-30 metres beneath the fish.

The sound energy is pulsed at a rate of five pulses per second. With a towing speed of 2.5 metres per second—say, 6 knots—the system manages an along-track sampling interval of the order of 50cm. The high frequency of sampling is the clue to success, Cloet says.

By towing the fish close to the seabed, the system avoids degradation of the echo when it passes through layers of water of different temperatures—a phenomenon once used to conceal submarines from sonar.

Fish roll, which has the same effect as an undulating seabed, is corrected electronically in the associated data processing.

The laboratory equipment developed at Bath has been tested

in various vessels and situations. Late in 1983, for example, the team borrowed the catamaran *Catfish* owned by Plymouth Polytechnic, an 11.3 metre vessel equipped with an A-frame which allowed the fish to be deployed conveniently over the stern. They used a transponder loaned by Racal to plot their position.

Their final report to the SERC claims that they have been able to "produce seabed surveys of an acceptable standard of accuracy while achieving a significant saving of survey time." They see scope for improving the instrumentation but also for meeting more rigorous specifications.

Above all, Cloet claims, the system seems to cope well in highlighting steep slopes—even vertical cliffs—in the seabed. As he sees it, however, it will need a different approach from the hydrographers, necessitating close collaboration between researchers and users if the technique is ever to reach those who might best use it.

Bathymetrics denies that it is trying to compete with much more sophisticated survey systems such as Gloria, designed by the Natural Environment Research Council's Institute of Oceanographic Sciences at Wormley, which won a £12m

contract from the U.S. Government late last year to survey up to the new 200-mile limit of U.S. territorial waters. Where Gloria is an oceanic system, that of Bathymetrics is essentially aiming at inshore and river surveying.

But it is well-suited to the survey of offshore structures, which its swathe of sound can reach without endangering either vessel or structure by approaching too closely.

Set up late last year, Bathymetrics has only one contract so far, a consultancy from the recently privatised Hydraulics Research Station to investigate North Sea offshore structures. But it has excited interest among the oil companies, including Shell and BP, which are willing to fund demonstration seabed surveys in areas to which they have won concessions.

On behalf of the research council, the British Technology Group has been seeking to licence the technology for manufacture of survey systems. Several British companies have shown interest. Bathymetrics hopes to persuade BTG that, although it is a new and very small company, it will be in the country's best interest to licence the knowhow of the new survey system back to Roger Cloet's team.

Grid cuts screen costs for business portables

SOME PEOPLE seem to be able to break all the rules. On the personal computer scene, Grid Systems of Mountain View, California, has flouted the trends of the marketplace to establish itself as the only Grid "Compass" high performance portable personal computers.

Grid does not spend millions of dollars on flashy advertising campaigns. In the U.S., the company does not even sell its portable computers through computer retailers, preferring the direct sales approach.

Instead of slick marketing, Grid relies upon state-of-the-art technology to make its products appealing. Bubble memory, electroluminescent displays and a magnetic tape have set the Grid "Compass" apart. While most personal computer makers consider price to be a very important factor in positioning their products, Grid has consistently set its prices above those of competitors, claiming that its machines are simply better.

In spite of dire warnings that Grid's market for high performance "lap-top" computers is being invaded by the "Big Boys" of the U.S. and Japanese computer industry, Grid is unperturbed.

Hewlett-Packard, Data General, Ericsson and Kaypro have all introduced competing products, but even the threat that IBM may soon enter the market does not get Grid's executives flustered.

It remains to be seen, they point out, whether the IBM "Clamshell" (as it is reported to be called) will be a market winner, or whether like the PC portable (suitcase sized) and PCjr the IBM lap-top will fail to live up to expectations.

In a market that has swung violently up and down, Grid has avoided the bumps and turns by keeping to a straight and narrow path. The company has concentrated its sales efforts upon professionals who have a real need for a portable computer.

The rugged design of its original "Compass" appealed particularly to field engineers and others who work in environments where conventional computers could not operate. The superior display and communications capabilities of the Compass have made it attractive to accounting firms, auditors

Professional Personal Computing

BY LOUISE KEHOE

and financial analysts.

The military has also been enthusiastic about Grid's "ruggedised" version of the Compass. It has been into outer space aboard the Columbia space shuttle and into battle in Grenada.

Through the uncertainties of the personal computer market, Grid has progressed steadily. The five-year-old company had sales last year of \$35m, up from \$22m in 1983.

The Grid, which is a privately held company, expects to sell \$50-60m worth of computers.

Now, however, Grid has reached a crossroads. The company will today announce a new portable computer designed to appeal to the broader market among business personal computer users.

The new "GridCase" is truly IBM compatible, incorporates a battery pack, standard personal computer connection ports, and a single 3.5 inch floppy disk drive.

It will be available with either liquid crystal or plasma display. Options include a built-in 1200 baud modem and plug-in memory chips containing software products such as the MS/DOS operating system. A range of peripherals will also be offered for the GridCase.

Less expensive than Grid's original "Compass," the GridCase is still not cheap. \$3,000 buys a basic model with liquid crystal display and 256K of internal memory. For the top of the line model with a full complement of plug-in software and built-in modem and a plasma display the price goes up to around \$5,700.

GridCase represents Grid's first offering to the mainstream business market for users who, while they might appreciate the convenience of portability, do not strictly speaking have to have a portable machine.

Most portable computers have not sold well in the U.S. They have lacked functions—good displays, communications capabilities or true IBM compati-

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Data capture Woolworth's low cost approach

F. W. WOOLWORTH is buying 1000 low cost non-communicating point of sale terminals from Anker Data Systems, Wembley, the German-based retail automation company now part of the BTG Group.

The terminals will be used in conjunction with 1000 Tektron hand-held data collection terminals Woolworth bought last year, initially for stock taking purposes.

In an unusual, low cost approach to POS data collection, each Anker unit in a store will at day's end empty its arrayed contents via an RS 232 interface into the Tektron unit which is equipped for transmission, via a modem, to Woolworth's ICL mainframe.

Anker is hoping eventually to equip all the stores—a project that would involve 7000 to 8000 terminals and be worth over £5m.

Materials Automating tableware

THE TRADITIONAL makers of tableware are trying to bring more automation into their business. The UK government has funded a co-operative research programme to the tune of £275,000 for the development of better processing techniques.

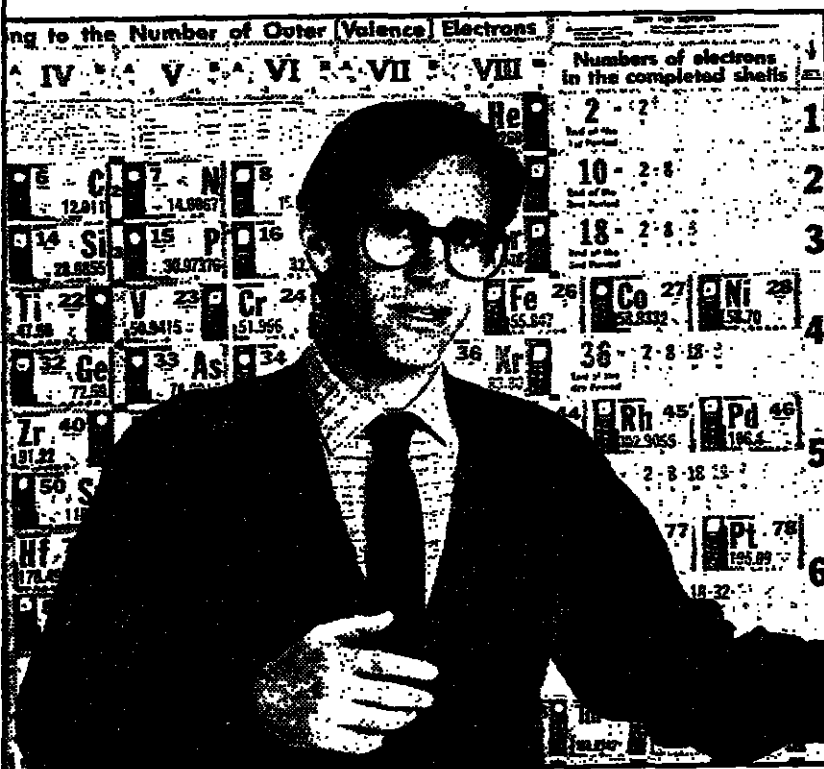
For example, areas of research will include a look at development of longer life dies in plastic for tableware, cutting down casting faults for larger items such as in sanitary ware, speeding up the drying of tableware and producing better colours and printing processes.

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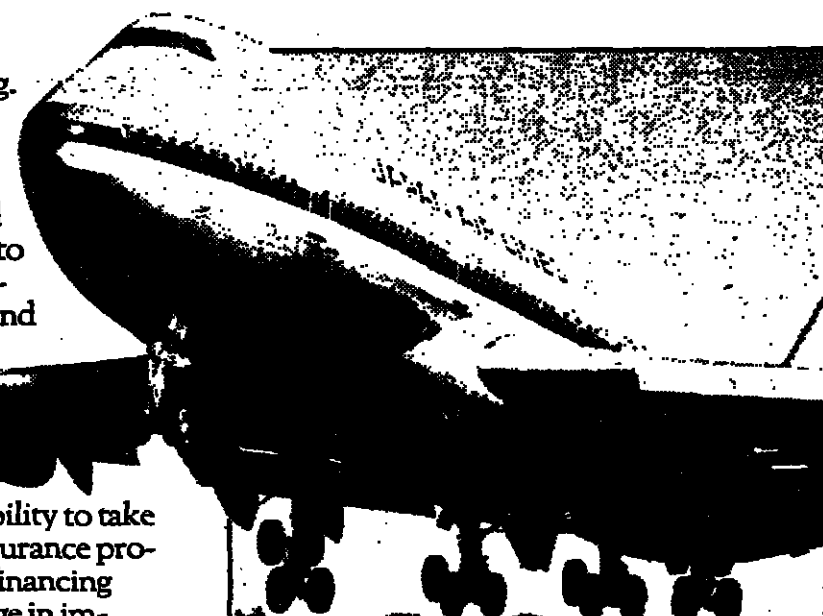
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Wages and competition

ONE OF THE remarkable features of the U.S. economic recovery has been the moderation of wage increases. Sharp falls in unemployment have not produced the expected return of inflationary wage pressures. In the UK, by contrast, where unemployment has not declined, the average increase in earnings has remained obstinately high.

A recent study of wage policy and employee relations by the Conference Board in New York concludes that in the U.S. there has been a shift away from imitative or "going rate" wage-setting and greater emphasis on what each company can afford in the light of the competitive situation facing it. At the same time companies have been developing a variety of approaches to production and payment systems in order to involve their employees more directly in the success of the business.

Increasing rigidity

The study refers to the increasing rigidity of U.S. wages during the 1970s. It seemed that higher and higher unemployment would be needed to reduce wage inflation. This was confirmed by the 1981-82 recession, when unemployment rose to the highest level since the 1930s and average increases in earnings dropped. But why did the rise in earnings continue to decline in the subsequent two years?

The exceptional severity of the recession had forced companies to rethink their approach to wage bargaining. As in the UK, they were able to take advantage of weakened trade unions to renegotiate wage and manning agreements in the pursuit of drastic cost reductions. The alternative in many cases was bankruptcy. The fact that the drive for lower costs continued after the recovery had set in is explained by the intensity of competition.

Some of it came from overseas, stimulated by a strong dollar. Another factor was the growth of non-union competition within the U.S. In the airlines and inter-state trucking, for example, deregulation lowered the barriers to entry for often non-unionised competitors. Similarly the break-up of industry-wide wage bargaining in steel—a notorious case of excessive wage costs in the past—was partly due to the growth

over the previous decade of a non-union source of competition, the mini-mills.

The Conference Board comments: "Bargaining power has been greatly altered as a result of the growth of non-union competition within the U.S. and competition in the form of low-cost, high-quality imports from abroad. Management's power to administer prices has faded. With this decline in the market power of their employers, unions' ability to affect wage levels within their industries has declined."

A company's wage objectives are increasingly determined by internal factors, not by what the rest of the industry is doing. The labour relations department, the study suggests, is not judged in terms of its ability to avoid conflict with the unions, but by its success in cutting labour costs.

With this hard-nosed attitude to costs has come a move by chief executives to adopt new techniques, sometimes borrowed from the Japanese, for involving their employees in the search for greater efficiency and higher quality.

U.S. companies are to match the standards of excellence set by world-class competitors, as an article in the current Harvard Business Review puts it. They need a level of performance which "requires the deep commitment, not merely the obedience—if you could obtain it—of workers."

Two lessons

There are two lessons here for Britain. One is that wage-setting habits are changed, not by exhortation, but by changes in the business environment. The UK Government can and should do a great deal more to stimulate competition, to reduce barriers to entry, to remove explicit or hidden protection against imports and to support the European Commission's moves to unify the internal market. The other lesson is that a more radical approach to industrial structure is required than the privatisation of existing monopolies.

A second lesson is the need for employers, instead of crowning their weakness with unions, to set up new systems of management that will enable them to keep labour costs under control and to secure a wholehearted commitment from their employees to improved business performance.

A new look in East Europe

SIR GEOFFREY HOWE is a man of method. Having made trips to Hungary in 1983, the Soviet Union in 1984 and to Romania and Bulgaria earlier this year, the British Foreign Secretary is completing his list of calls in Eastern Europe with a swing through East Germany, Czechoslovakia and Poland this week.

Is there merit in all this jetting-around, apart from giving Sir Geoffrey a footnote in the history books as the first Foreign Secretary to visit seven Warsaw Pact countries during his tenure of office and also the first to visit East Germany and Bulgaria? Is it more than a dialogue with the ideologically deaf? If it is, it is a dialogue with the Eastern and Western Europe served a purpose in 1983-84, when the superpowers were not on speaking terms, have not exhausted their utility in Washington and Moscow are back at the negotiating table?

Such questions are inspired by a perfectly proper degree of scepticism. But there is equally proper awe. It is important to Western European countries that Eastern Europe should hear their views direct, without being relayed and often distorted by Moscow and, occasionally, by Washington. The two parts of Europe have a common cultural heritage and even today retain common interests, such as trade, which the superpowers do not share to the same degree. Of course, airing distinctive British or other Western European views carries the risk of offering the more solid front of the Warsaw Pact wedges to drive into Nato.

For instance, in the Eastern European capitals Sir Geoffrey is finding interest keen almost to the point of being unwelcome in his recent critique of the Reagan administration's Star Wars initiative. While raising some legitimate questions about the longer-term future of that initiative, he must be careful not to undermine the U.S. negotiating position in Geneva. In that manner some good may be done. It cannot be a bad thing for East Europeans to see other Europeans using their faculties of independent judgment while remaining loyal to their alliance.

The Foreign Secretary might perhaps share some of his hosts' concern about the more heated words from the right-wing

fringe in West Germany. But Sir Geoffrey's visit to East Germany, such as Britain can attest to the fact that the Federal Republic of Germany does not match the revanchist image painted in the East. If Sir Geoffrey wishes to reinforce the point undiplomatically, he can recall that the only German soldiers to have taken part in any invasion since the Second World War were East Germans in the Warsaw Pact's march into Czechoslovakia in 1968.

Treating each East European country seriously and separately—as Sir Geoffrey is doing—reinforces that country's sense of national identity. A long historical process is in train whereby these national identities are slowly re-emerging within the Soviet bloc. That process is uneven. National interests show themselves far more in economic affairs (in Comecon) than in military affairs (in the Warsaw Pact). The process can be reversed temporarily by Soviet force. It cannot be accelerated by the West without incurring Soviet wrath and making matters worse.

Pluralism

Equally, this naturally growing differentiation within the Soviet bloc should not be artificially impeded by the West. It is interesting and consistent with the current religious revival in Eastern Europe that the churches are coming to represent the nearest thing to a "loyal opposition" that the authorities will allow Western ministers to meet. Sir Geoffrey has met East German churchmen and will meet others in both Poland and Czechoslovakia this week, as well as, perhaps, playing diplomatic "touch tag" with representatives of Solidarity. Pluralism within individual countries as well as among them needs to be reckoned with in Eastern European affairs. Sir Geoffrey's trip recognises that.

IN THE chilly overcast days of March, a bleak sense of drabness, discipline and deprivation overwhelms all of Hanoi's natural charm. Houses are unheated and lack adequate plumbing and sanitation. Accumulated dirt and grime make rats a problem. Power cuts are regular, and weak street lights and kerosene lamps create a Dickensian atmosphere. Some people sleep rough, even outside the main hotels.

By contrast, Ho Chi Minh City—formerly Saigon—lacks Hanoi's swampy humidity and oppressive extremes. People are better off, more fashionably dressed and more accustomed to speaking to foreigners. There are more consumer goods, more vehicles (especially motorcycles, which can be owned privately), even some traffic lights. Its population, at 3.5m, is well over double Hanoi's.

But microphones blare propaganda in the streets, and as in Hanoi suspicious behaviour is likely to be reported. Destitute Amerasian youths—children of liaisons between Vietnamese women and U.S. servicemen—beg money or help from foreigners and, for many people, making ends meet is as much of a hustle as it was 10 years ago. Unemployment is high.

Ten years after defeating the U.S.-backed regime in the south, Communist Vietnam is in deep trouble. A government which in 1975 won wide respect after successfully fighting 30 years for independence and reunification is in danger of losing the peace—perhaps without even realising it.

The catalogue of ailments is lengthy. The country's 60m people remain among the poorest in the world, with an estimated per capita annual income of less than \$150. The Government cannot pay its \$6bn external debt. Inflation (55 per cent in 1983) remains high, the currency is rapidly losing all value and the black market is thriving.

Vietnam has been isolated by the West since its 1975 invasion of neighbouring Kampuchea, and is so heavily dependent on hand-outs from Moscow. It has fallen out with China, its strongest supporter in the war years, and with its neighbours, who fear its expansionist aims in South East Asia. Its 1.3m-strong army—the third largest standing army in the world—still bogged down fighting in Kampuchea and in defending the northern border.

At home, at least 10,000 Vietnamese with suspect loyalties are held in so-called "re-education camps." Tens of thousands more want to leave the country altogether, joining hundreds of thousands who have already gone to the West in what must be a colossal drain of skills as well as a verdict on the Government. Another 50,000-60,000 Vietnamese are guest-workers in the East Bloc.

Reunification meanwhile remains little more than a formality. The stark contrast between the austere, orthodox north and the brash, freewheeling south underlines persistent strains between the two which are rooted even within the ruling Communist Party. Yet the same, unbending men remain in ultimate charge, and the succession is as uncertain as ever.

For such a charming country and such beautiful people, it adds up to a sad picture of stagnation. Travelling to Hanoi, the capital, is like going back 30 or 40 years. Dilapidated ochre-coloured stucco buildings dating from French colonial

VIETNAM TEN YEARS ON



The ravages of war... and Ho Chi Minh City today. The advertised films are no longer American

Why Hanoi is in danger of losing the peace

By Chris Sherwell, South East Asia Correspondent

times stand crumbling alongside dusty streets clogged with bicycles and carts. A few old lorries and black Russian Volga saloons, honking endlessly to get through, disrupt the eerie quiet.

Vietnamese officials like to point to outside events to help explain the country's difficulties. The Peking-backed Pol Pot regime's actions in Kampuchea gave Vietnam no option but to invade, they say, and China, which attacked Vietnam in retaliation in 1979, should be seen as a traditional enemy which has long sought to keep Vietnam subservient.

They allege that the U.S., China and Thailand have backed other attempts at subversion, adding that the trial of 21 people in Ho Chi Minh City in December, which led to the execution of at least three for plotting to overthrow the Government, will be followed by more court actions. According to one senior Western diplomat, there are indeed armed opposition elements and disaffected people, but no organised movement.

On the economic front, the Vietnamese say natural disasters, including typhoons and drought, have delayed the achievement of self-sufficiency in food production, while major investments in power plant and in ports, railways and roads will not bear fruit until the 1990s.

Yet the truth is that the Government, as it acknowledged, lacked experience of peacetime economic management in 1975, and set over-ambitious targets to achieve socialism through a Soviet-style emphasis on heavy industry. By 1979-80 it was

forced to adapt its policies or face still worse trouble.

Even now, full and sustained self-sufficiency in food is some way off, despite assertions to the contrary in 1983. The 1984 target of 18m tonnes of paddy and other foodstuffs, had it been achieved, would have provided little more than 1,600 calories a day per head, low by international standards. A substantial rise in output above this target will still require improved irrigation and more fertiliser in the Mekong Delta region.

Last year's 17.3m tonnes was nevertheless a record, and compares with the dark days of the late 1970s, when food output was stuck at around 11.5m tonnes. After lengthy debates in the Communist Party economic incentives were offered to peasant farmers and co-operatives under which surpluses could be sold at higher than government-fixed prices.



These were the principal reason for the improvement, though they amount to a softening of the drive for socialism.

The reforms have also been applied to state trading and industrial enterprises, achieving comparable gains in output. But the wrangles between hardliners and reformers have persisted. In 1983 the Government suddenly stepped in to take direct control of the export of 25 key commodities and bring Ho Chi Minh City's district trading companies under one umbrella after the city's trade with the outside world had almost tripled in two years. The new arrangement has been nowhere near as successful.

The most visible current sign of deterioration is the value of the dollar, which has fallen to just under 12 to the U.S. dollar. Different rates apply for Westerners, East Bloc visitors and other purposes. On

the black market there is another rate again—around 370.

The range reflects the existence of Vietnam's two economies. One is an official planned economy in which there are fixed, subsidised prices controlled by the state but inevitable inefficiencies and shortages. The other is a parallel free economy where prices and exchange rates are vastly different but commodities are at least available in bustling street markets, tolerated—nowadays even taken over—by the state.

In Vietnam it is no surprise to learn that a woman cleaner earning 200 dong a month in her official employment needs a second private job to survive which pays 100 dong an hour.

Another important sign of weakness is the tiny size of Vietnam's foreign exchange reserves, put at little more than \$16m. A quarter of Vietnam's \$6bn foreign debt is to Western countries. Vietnam must be one of the few countries in the world to thumb its nose over repayments to the IMF.

This does not mean Western countries are not dealing with Vietnam. Japan, Singapore, Hong Kong, Thailand, France and Australia all have significant trading links, but the terms are mostly cash or barter and the scale is minuscule compared to East Bloc trade.

Vietnam's major non-communist aid donors are Sweden and the United Nations. The UN's programme is its fourth largest in the world after India, Indonesia and China. Even sympathetic countries such as Denmark and the Netherlands have become disenchanted. But some Western

diplomats, seeing Vietnam's need and potential, argue strongly that bilateral aid should be resumed and trade encouraged, if only to prevent Vietnam slipping further into the arms of the Soviet Union.

Already the number of Soviet experts in Vietnam is put at 5,000, while the Soviet military presence seems to be growing. The use of Da Nang air force base, Cam Ranh Bay naval base and Tan Son Nhut airport in Ho Chi Minh City gives the Soviet Union easy access to South-East Asia, the Indian Ocean and major sea lanes linking Japan and the Gulf.

Soviet aid, put at above \$1bn a year, includes military weapons and equipment and helps to relieve the burden of Hanoi of maintaining its large army, although the cost is less than it seems because the forces are also used for development projects. Moscow also supplies about 1.6m tonnes of oil a year.

While the relationship is presumed to be secure, there are reports of dissatisfaction on both sides. But the more intriguing question is whether the elevation of Mr Mikhail Gorbachev and hints of Soviet-Chinese rapprochement inject any flexibility into a regional situation fundamentally dominated by Sino-Vietnamese distrust.

Developments in Kampuchea will be crucial here. Vietnam has won important victories in this year's dry season offensive against Chinese and Western-backed rebels opposed to the regime in Phnom Penh. Peking, despite threats of a "second lesson," has stayed as hard as guerrilla warfare seems certain to continue with both sides believing time is on their side.

Some argue that major changes must await the departure of Le Duan, the party chief. Phan Van Dong, the Prime Minister, and President Truong Chinh, all of whom are in their 70s. But the next generation could be even less worldly and open-minded than the current leadership. Short of a major upheaval, the ultimate objective of a fully socialist economy, and perhaps even an Indochina federation, will remain intact.

For the Vietnamese people who fought for independence and reunification, and especially those in the south, all this may come as a bitter disappointment. In 1960 the National Liberation Front of South Vietnam committed itself to ending the foreign military presence in the country, promised to uphold the rights of assembly, speech and movement and abolish detention camps and said it would build a "peaceful, neutral and prosperous economy." None of this has been achieved, leaving some committed southerners disillusioned.

On the other hand, Vietnam is not just any developing country. There is little starvation or illiteracy. Little armed crime or visible shirking of work. There may be pilfering, corruption, malnutrition and ignorance, but the Vietnamese are an ambitious, nationalist people whose remarkable resources have been tapped by extreme governments for war rather than peace and who can probably go on as they have indefinitely. The problem is that, even if this changes, Vietnam, lying in one of the world's fastest-growing regions, will find itself far behind the neighbours once called "dominoes"—mightier perhaps but a lot poorer.

Self-sufficiency in food is some way off, in spite of assertions to the contrary

Clarke prefers quiet bangs

In spite of rumours that the sale of the Royal Ordnance factories (expected to raise £350m or so) will be sooner rather than later the Government yesterday was sticking to its timetable—promising that privatisation will not be unleashed upon the public sector before next year.

Information about the tantalising sale of the future is hard to get. And what scraps can be gathered are coming from Whitehall and Government sources.

The man resolutely steering the factories towards privatisation is, Fred Clarke, chairman and chief executive of ROF since 1982, is putting up a good performance as a Trappist monk over the matter.

He is refusing to answer questions or to be interviewed while pressing ahead with his remit set by the then Defence Secretary John Nott, three years ago, that he would be responsible for planning and supervising the development of the ROFs into a free-standing commercial organisation.

Clarke, aged 56, a science graduate of Durham University, and a former schoolmaster, spent his business career with IBM, becoming general manager



"You wait until Mr Gummer hears about this"

Men and Matters

of IBM UK before taking over at ROF.

One of the few outward signs of his influence upon the arms factories has been the adoption of a quieter image in publicity about their activities. The Big Bang style, when they used to mention guns, bullets and munitions freely in print, have given way to quiet, coded references to "defence systems and components."

In the ROF these days even a simple rifle has become "a weapons system."

Thrusting lady

BRITAIN has so far played only a minor role in the French-dominated development of Western Europe's Ariane rocket—but a British lawyer still intends to give a vital lift to the space vehicle by building up maximum thrust in the market place.

Diana Josephson, a graduate of Oxford, has just been made director of U.S. marketing operations for ArianeSpace, the Paris-based company that is selling the rocket.

Ariane is in head-on competition with the U.S. space shuttle as a vehicle for taking satellites into the most popular orbit for communications—craft, some 35,000 km above our heads.

Trying to wean American telecommunications companies away from putting their orders with the shuttle holds no fears for Josephson. She cut her teeth in legal arguments in U.S. courtrooms and later went to work for the American Civil Liberties Union.

She was employed by federal government agencies before taking charge of Space America, a company in Washington DC that is attempting to drum up finance for a private enterprise satellite system for land mapping.

Josephson says that even

Eau dear!

Roy Watts, the ambitious chairman of Thames Water, has always said that the main prize behind his drive for privatisation of the water industry is consideration of the customer. Equally, he has made no secret of the fact that the man he has to convince of the wisdom of his case is Ian Gow, minister of state at the Department of the Environment.

What, though, if there are those at the DoE who are less than appreciative of the product piped by Thames? What, in fact, when the decision maker is also a customer?

It asks this only because of a curious tale in the current issue of the house journal of the Environment and Transport departments. It seems that in the DoE discerning civil servants obtain water for their tea from the second floor, eschewing that which issues from taps on the floors above. The reason is a bit of a mystery—though there is some suggestion of aeriation in the upper reaches cause by hydraulic pumping.

What may stick in Mr Watts's throat, however, is the comment of Roger Baker, office services manager at the department. "For my money," he says, "there's no difference in the taste. It's awful wherever you get it from in the building. In fact, all the water in the whole city is disgusting."

In the light of this withering comment, who now would bet on a flotation for Thames?

European style

Lee Cooper, the truly European jeans maker—no American connection and a London stock exchange listing—has chosen an equally representative finance director in Will Mussman, aged 45.

Mussman is German-born, from Hanover. He studied and graduated at the Paris Business School, married a French wife, has worked in France ever since, and is now spending part of each working week in London.

Lee Cooper, turnover £90m, is still one of the biggest of the non-U.S. jeans makers but, says Mussman, is now diversifying fast into other leisurewear lines including trousers, skirts, and accessories.

Mussman started his working life in banks and financial establishments in Hanover, Zurich and Paris. He went on to become manager of Babis, France, biscuit makers, and is still on the board of that company. He joined the Bongrain Group, a leading firm in the European cheese industry, in 1975 as financial director, and later became deputy managing director.

He will divide his time between the Lee Cooper headquarters in Paris and the firm's London office.

Table cornered

How do you bag one of the best restaurant tables in London? Tim Bell, confidant of Margaret Thatcher and Ian MacGregor, and chief executive of ad agency Lowe Howard-Spink Campbell-Ewald, did it by doing what came naturally.

As a regular at Soho's L'Etrole restaurant in his Saatchi days, he was approached by the owners one day to help write an ad for American Express—in no more than 26 words.

"To sit at the corner table in L'Etrole is to enjoy the heights of lunchtime eating. To sit elsewhere is nearly as good," Bell penned. The corner table has been his ever since.

Observer

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FINANCIAL TIMES

Wednesday April 10 1985

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Sudan rebel group demands return to civilian rule

BY RICHARD JOHNS IN LONDON

SUDAN'S new military rulers yesterday gave an uncompromising challenge by the leader of the main rebel group in the south of the country, who confirmed a ceasefire was in force but warned it would be broken if there was not a return to civilian rule within seven days.

The ultimatum from Colonel John Garang, commander of the Sudan People's Liberation Army (SPLA), came as the five-man military junta led by General Abdul Rahman Swaredhah, who seized power on Saturday from President Jaafar Nimeiri, held consultations on a caretaker government to preside over the country during an interim period before the promised restoration of civilian rule.

Gen Swaredhah has promised to end the southern rebellion through negotiation and to improve the living standards of the people in neglected regions. The war was one

of the major factors undermining Mr Nimeiri's regime and was exacerbating the country's finances at a rate of an estimated £51m (about \$350m) a day as well as preventing development of oil and natural resources.

In a broadcast from the SPLA's clandestine radio station Col Laru, a U.S.-trained former officer in the Sudanese army, expressed scepticism about the nature and motives of the officers responsible for the coup, comparing it to a hyena which had merely changed its clothing.

"The people's revolution in Sudan has been stolen by a gang of four generals," he said, emphasising that the SPLA did not support the new regime and would "never betray the people".

In offering a week-long ceasefire, he said, that SPLA would only attack military vehicles and troops on the move.

For the new regime, which has repeated its commitment to restore civilian rule, the SPLA's stance is a setback, especially given a statement of support issued yesterday in the name of professional organisations and trade unions in the three southern provinces. It called on the military leadership to begin direct talks with the rebels.

The SPLA is fighting for autonomy rather than secession and a repeal of Mr Nimeiri's application of Islamic law to the whole country.

Gen Swaredhah has promised to permit a multi-party system and religious suffrage, but the 13-point statement issued at the weekend stressed Sudan's commitment to the Islamic Conference Organisation. It made no mention of the problems of the south.

The Sudanese judges' union, meanwhile, has petitioned Gen Swaredhah to draft a new constitution and review "hastily passed laws," according to the official Sudanese news agency. This was a clear reference to the Sharia, or Islamic law, decreed in September 1983. The new leader is known to be a devout Moslem and is thought unlikely to abrogate formally Sharia law but more probably will just allow it to fall into disuse.

Following the accord reached with the junta on Monday night which ended a nationwide strike, Sudan's professional organisations and trade unions said there was unanimous agreement on the formation of an interim government. They urged union members to return to their jobs and "produce more".

At the same time the junta said Sudan would maintain its ties with the West and pledged itself to preserve close relations with Egypt.

It has stressed that Sudan will abide by existing bilateral, regional and international agreements, indicating that it is contemplating a large measure of continuity.

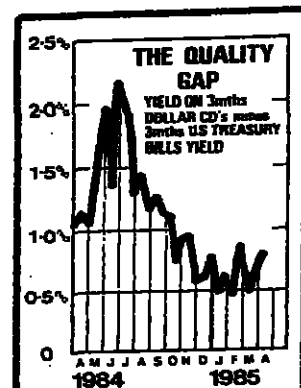
Egypt, for its part, has reaffirmed support for Sudan and its adherence to the 1978 defence pact calling for each country to counter outside interference in the other's domestic affairs.

One of the big questions is whether the regime will respond to overtures from Libya and Ethiopia. Better relations with them, especially Ethiopia, could be vital for a settlement of the southern problem.

It was revealed yesterday that Gen Swaredhah had received telephone calls from Mr Nimeiri's two most implacable Arab foes, Colonel Muammer Gaddafi of Libya and President Hafez al Assad of Syria.

THE LEX COLUMN

Security lapse on Wall St



Coincidence may be the best excuse for the failure of a second U.S. dealer in government securities inside a month, though it is a defence which could begin to lack conviction if the compulsory liquidation of Bevil, Bresler brings the same ripples in its train as the collapse of ESM last month. Even without the gathering allegations of fraud - a contingency falling outside the scope of mere regulation - there would be grounds for worrying over the soundness of many a secondary securities dealer. And since their creditors have been among the weaker U.S. banking and savings institutions, the threat of knock-on liquidity crises must be causing some disturbed nights at the Federal Reserve.

At present, the main result is probably negative. Whereas the Fed's big worry in February was an economy coming out of control and into inflation, that is surely balanced now by the dread of withdrawal queues. If the argument has not yet swung in favour of printing all the money necessary to keep every institution liquid, it may have postponed any idea of monetary tightening. Apart from the direct effect on confidence, to hold interest rates down could only help to erode overseas demand for the dollar. It was a bit surprising yesterday that the currency markets took the news with so much calm.

The consequences for the securities markets may, with luck, be quite limited. The secondary industry of selling Federal debt has been one of the most dynamic growth areas in the whole U.S. economy over the last four years, but its casualties - typical of new businesses - should not feed back into the relatively well-capitalised and self-regulated primary market. And the regulatory umbrella of the stock exchange ought to prevent a similar outcrop among broker-dealers in the new London gilt-market.

Shareholders have a preferential call only on the new equity being issued by the company and even then have no chance to sell their rights in the market. So if the eventual discount comes anything close to the 15 per cent or so common in rights issues, shareholders will be entitled to ask why the whole lot was not offered by way of rights.

In practice the discount should be much smaller. The issue has the advantage of being partly-paid and free of initial stamp, while the institutions will remember the weighting problems which their somewhat snooty attitude towards British Telecom caused last year.

Retail demand will presumably not be so widespread this time but the professionals would be wise not to take too many chances. On the reasonable assumption that some discount has already been built into the price, the sponsors may escape with a figure about 5 per cent to 7 per cent below the market.

British Aerospace
It is remarkable how the public spotlight and judicious marketing can improve the fortunes of a share price.

In January, just before the UK Government and British Aerospace (BAe) announced that they were planning between them more than to double the public float of BAe equity, the shares were trailing around the 370p level. Since then, the market has built in a discount to anticipate the flood of paper, and

Hawley Group
Hawley Group's 1984 accounts with their grey on grey colour scheme are hard enough to decipher, and once the eye becomes accustomed to the gloom the contents are none too illuminating.

Of the fixed assets of £188.3m in the consolidated balance sheet £32.3m are contracts and lists of customers - not depreciated - and just over £100m is described as investment.

Most of the £100m apparently consists of either goodwill in subsidiaries or - in the case of quoted subsidiaries - the difference between the market value set on the shares which Hawley does not own and the book value of the subsidiaries' net assets that is attributable to Hawley. Taken with the £32m of lists, then, Hawley's intangible assets seem to be almost as large as its £115m net worth.

Quite apart from the question of prudence, one might wonder whether it is even realistic to have valued, say, the 60 per cent stake in Kean & Scott at its market price. After all, the market in the balance of shares must be pretty thin and the price may be little guide to what Hawley might obtain on realisation.

At this rate shareholders might be happier if Hawley became an investment trust and quoted the value of its assets in the FT each month. They can always raise these issues at the annual meeting, conveniently scheduled to take place at Hawley's Bermuda office next month.

Royal Bank

The great virtue of the rights issue is that new equity capital gives it the scope to top up with subordinated debt. Royal Bank of Scotland raised £115m by way of rights earlier this year and has now followed up with a tap issue of sterling floating-rate notes totalling £200m, all of which could theoretically rank as secondary capital under the Bank of England definition.

The £100m issued yesterday would add 0.8 percentage points to a free capital ratio which stood at 5.5 per cent at the end of last year. In practice, the initial effect may be rather more modest, since Royal will be investing some of the proceeds outside its mainstream lending business. But, whatever the effect on its balance-sheet ratios, Royal can feel very satisfied with the terms on which it has obtained the money.

It is paying only 4% over Libor for an issue with a 20-year final maturity. The fine terms should help to settle worries that the Bank of England's recent insistence on secondary capital running to maturity would substantially increase funding costs to an issuing bank.

Howe calls for East to lower barriers

By David Buchan and Leslie Collett in East Berlin

SIR Geoffrey Howe, the British Foreign Secretary, yesterday wound up his historic visit to East Germany with a double warning that the West would turn down "unbalanced" arms control proposals by the East, and that Western public opinion would find it hard to support East-West dialogue without the East lowering some of its "walls and barriers".

Sir Geoffrey's visit, the first here by a British foreign secretary, also marks a reactivation of East German "Westpolitik".

President Erich Honecker, whom Sir Geoffrey met yesterday, is to make his first visit to a Nato country when he goes on April 23 and 24 to Italy, where he will also be the first East European leader to visit the Pope at the Vatican.

Last autumn East German "Westpolitik" suffered a major setback when, under Soviet pressure, Herr Honecker cancelled his visit to West Germany. The Rome visit is in return for a recent visit by Sig Bettino Craxi, the Italian Prime Minister, to East Berlin.

M Laurent Fabius, the French Prime Minister, is also to visit East Berlin in June and yesterday it was announced that Herr Oskar Fischer, the East German Foreign Minister, would visit Britain.

Yesterday, Sir Geoffrey claimed to have got across "one unambiguously clear message" that the West was sincere beyond doubt in its determination to achieve greater security for all, at a lower level of weapons and to do so through balanced and verifiable agreements.

At a press conference here he repeated his complaint that Mr Mikhail Gorbachev's temporary freeze on Soviet medium-range missile deployments failed to take into account the existing Soviet superiority in Euro-missiles.

He also said the East German leaders he talked to, including President Honecker, Herr Fischer and Herr Will: Stoph, the Prime Minister, did not seek to exploit his recent critique of the U.S. star wars programme, because they knew the British Foreign Secretary stood behind the U.S. pledge to pursue only research for the time being.

The UK Foreign Secretary, in his official discussions, frequently referred to human rights and made a point of meeting unofficial East German churchmen, writers, academics and artists at a Monday night British Embassy reception.

He avoided, however, publicly criticising the Berlin Wall specifically, though earlier yesterday he walked within 80 yards of it at Potsdam.

Some observers, particularly the West German press, speculated that the first visit to Potsdam by a foreign minister of one of the four foreign governments responsible for Berlin might have some political significance for the governance of the divided city.

Sir Geoffrey denied this and said the Potsdam visit was intended simply as "an acceptable and pleasantly accessible" diversion.

U.S. companies 'set to increase capital spending by 8.7%'

BY STUART FLEMING IN WASHINGTON

CAPITAL EXPENDITURE by U.S. companies is expected to rise by around 8.7 per cent in 1985, according to the Commerce Department's quarterly survey of business investment plans, released yesterday.

Such an increase would be sharply down from the remarkable 18 per cent increase recorded in 1984. Mr Robert Ortner, the department's chief economist, said yesterday that it would, nevertheless, represent a rate of expansion more rapid than the economy overall, thus capital expenditures should help to boost economic growth.

He pointed out that the capital goods sector had been hard hit by rising imports and that the extent to which a growing part of the in-

vestment was satisfied by imports would weaken the impact of the outlays on the domestic economy. "I suppose European and Japanese capital goods manufacturers will be as happy with this forecast as U.S. producers," he said.

The survey points towards a significant recovery in capital outlays in the first quarter of 1985, compared with the depressed fourth-quarter increase of only 1.7 per cent.

This will tend to reinforce the views of those economists who have been arguing since the release last week of March's strong employment data that first-quarter real growth in gross national product will be faster than the 2.1 per cent

annual rate reported in the "flash" forecast made by the Commerce Department last month. That forecast had assumed no increase in capital outlays.

Among the manufacturing goods sectors projecting the biggest gains in capital outlays for 1985 are the motor vehicle industry (up by 38 per cent), Steel (11 per cent), primary metals producers (13.3 per cent) and non-electrical machinery producers (13.3 per cent).

Petroleum (2.4 per cent), textiles (2.2 per cent) and aircraft manufacturers (0.4 per cent) were among the industries forecasting the smallest increases in new plant and equipment expenditures.

Banque Belge buys UK discount house

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

BANQUE Belge, the London subsidiary of Belgium's largest bank, is to buy Gerald Quin Cope, a small London discount house, for £2.1m (\$2.52m).

The deal marks the second acquisition by a foreign bank of a member of the City of London's exclusive discount fraternity: earlier this year Citicorp of the U.S. bought Seccombe Marshall & Campion for £7m.

Mr Wallace Armstrong, managing director, said Banque Belge had been operating for many years in the discount market as a money trader. The acquisition will allow these activities to be extended and expanded. The bank is interested in the market for short term corporate paper as envisaged in the recent UK Budget, and paper denominated

in foreign currency. But the bank has no current plans to become a primary dealer in UK government securities.

The purchase price represents a premium of 31 per cent over Quin Cope's net asset value. Banque Belge intends to inject an additional £1.5m and build Quin Cope up to a size comparable to the group of discount houses with capital of about £7m-10m which constitute the "second tier" below the Big Three leading houses.

The Bank of England has given its approval. However Banque Belge will have to keep Quin Cope as a separate operation and will not be able to use it as a vehicle to raise funds for itself. The discount house will eventually be housed in Banque Belge's building in London's Bishopsgate. Banque Belge is owned by Société Générale de Banque, and recently celebrated its 75th anniversary in London.

Quin Cope is the smallest of the discount houses, and the only privately owned member of the London Discount Market Association. Since 1892 it has been controlled by the Savill family, and Mr Brian Savill, the current chairman, is a grandson of one of the founders.

The firm believed it had to find a banking partner to thrive in the fast-changing London financial market.

Quin Cope has been doing business with Banque Belge for a number of years, and purchase negotiations were first initiated last November.

OECD warns on perils of protectionism

Continued from Page 1

to keeping indebtedness within manageable limits.

The study also warns that uncertainty about future trade regimes depresses investment and business confidence, because they know the

OECD is hoping that industrialised count ries will finally find ground for concerted action. The spring ministerial session at the end of this week could start the effort to define a common approach during the current season of international summits which is just beginning.

There is broad agreement, however, that any basis of a consensus can only emerge if the U.S. can provide a credible commitment to reduce its budget deficit and reaffirm its intention to resist protectionism, despite growing domestic pressure as a result of the strong dollar.

At the same time, European countries will have to continue to accelerate the process of structural adjustment and be more prepared to enter into new multilateral trade negotiations.

As for Japan, the other Western countries will want to see Tokyo take convincing steps to reverse the

continuing trend of huge Japanese trade surpluses.

The OECD is equally worried, however, that the hold proclamations of good intentions made by governments are seldom followed through. Indeed, the gap between the official language of governments and their actual behaviour when it comes to protection appears to have widened.

The OECD has revised upwards its growth estimates for the whole of the OECD area this year to 3.25-3.5 per cent, compared with an earlier forecast of 3 per cent at the end of last year.

U.S. growth is now estimated at 3.4 per cent this year. Growth in Japan is expected to range between 4.5 per cent and 5 per cent, while in Western Europe growth is forecast to be between 2.5 per cent and 3 per cent this year.

Kevin Dore in Stockholm adds: Sweden is to call for joint European economic action to improve economic integration and conditions for industrial growth, at the OECD meeting.

Measures would include a programme of infrastructure investment

Royal Bank of Scotland issues £200m FRN

By Our Banking Correspondent

THE Royal Bank of Scotland is to boost its capital resources by making £200m issue of floating rate notes. The issue will be the first to qualify as capital under the tougher guidelines on bank debt put out last year by the Bank of England.

An initial tranche of £100m of the issue is to be sold immediately. The remainder will be issued by way of a tap over the next two years. The notes have a final maturity of 20 years and will be amortised in equal amounts over the last five years.

They will be sold at par with interest set at 4 1/4 per cent over the rate offered for three month deposits in the London inter-bank market. This is a highly competitive rate for commercial borrowers and suggests that the Bank of England's conditions have not added to the cost of borrowing.

The Royal Bank said the proceeds would provide attractive funding for its UK mortgage business. The tap portion of the issue will be activated as the demand for home loans becomes clear.

Details, Page 40

Hungary backs project

Continued from Page 1

risks in the Shah project, the Hungarian bank does have experience of the printing industry and clearly believes the project - due to be launched early next year - will succeed.

To help the newspaper's launch, Mr Shah is planning to spend as much as £4.5m on promotion. He is already well advanced in recruiting an editorial team and will soon be interviewing for an editor for the paper.

The main investors in the company have not yet been revealed, although it is understood that they include Scottish Investment Trust

and the British Commonwealth Investment Trust. Mr Shah will have a large personal stake, perhaps as much as 30 per cent.

Although Mr Shah will probably bypass the existing wholesalers distribution system, he is keen to sell through the existing retail network.

Mr Shah insists that he will allow unions to organise but not to enforce closed shop without agreement. Both the National Graphical Association and the other main print union Sogat 82 have already put out informal feelers for negotiations on recognition - without response from Mr Shah.

SEC seeks freeze on dealers assets

Continued from Page 1

\$140m" and suggested that the total might exceed \$190m.

The collapse of ESM, in the wake of the ESM failure which sent shock waves through the U.S. financial system, has already intensified pressure from Congressmen and others for bringing the unregulated sector of the government securities market under direct surveillance of the SEC or the Fed.

While the SEC, Fed and the U.S. Treasury are still considering what form, if any, the regulations should take, House Democrats are planning to introduce a Bill shortly requiring full supervision.

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U.S. groups step up hostile-bid defences

By Terry Dodsworth in New York

ANTI-TAKEOVER measures are being adopted by an increasing number of large U.S. corporations in response to the wave of hostile merger activity on Wall Street.

Within the past 10 days, several big public companies have either received a takeover offer, announced a merger, or come under speculative pressure. In the same period, four companies which are not directly in the firing line have outlined anti-takeover proposals which will be put to shareholders at their annual meetings.

The four groups - Amerasia Hess, Northrop, Gould, and Alcoa - all say that they have not received any specific offer and are aiming to make themselves generally more bid-proof.

The main thrust of their bylaw changes seems to be directed at making themselves less vulnerable to excessive pressure from a hostile bidder in the early stages of a tender offer.

Both Gould, the high-technology company, and Alcoa, the aluminium group, intend to introduce provisions against "greenmail" - the practice of buying back a block of stocks held by a hostile shareholder at a premium to the market price.

Under their proposals the company would be prohibited from paying a premium to anyone holding a stake of more than 5 per cent unless a majority of the other shareholders agreed.

This move is meant to discourage greenmailers, whose activities often weaken companies so much that they become easy takeover prey to other groups.

The other main provision being brought in by Northrop, the defence group, and Amerasia Hess, the oil company, is to stagger directors' elections.

The development of anti-takeover devices is regarded with mixed feelings in industry and the securities markets.

William Hall in San Francisco assesses the chances of Sir James Goldsmith's latest target

Crown Zellerbach - out of the wood, into a jungle

CROWN ZELLERBACH, 115-year-old U.S. West Coast forest products group, may be a household name in the world paper industry, but on Wall Street it has long been regarded as a prime takeover candidate.

After a steady growth phase in the 1970s the San Francisco-based group ran into serious financial difficulties four years ago, culminating in the departure of its chief executive, a painful dividend cut and a major retrenchment.

Under Mr Bill Creson, its new chief executive, the group has been struggling to put its house in order. But just as it appeared to be turning the corner it has been confronted by Sir James Goldsmith, the Anglo-French financier who has offered to pay more than \$1bn or at least \$41.625 per share for the group.

Later today, Crown Zellerbach's board will hold an emergency meeting to decide what to do about Sir James's unwelcome approach.

The board is uncomfortably aware of Sir James's track record in the U.S. forest products business. He has largely dismembered Diamond International, his first acquisition, and has profited handsomely from unsuccessful raids against two other household names in the U.S. paper and packaging industry, St Regis and Continental. Both companies were forced to seek friendly suitors to avoid Sir James and other predators.

Crown Zellerbach has stressed it is not going to make the same mistake as St Regis and buy back Sir James's 8.8 per cent stake at a premium, a tactic known as "greenmail". It has also demonstrated its willingness to fight predators like Sir James by adopting a controversial "poison pill" defence - issuing its shareholders with rights which make an unwelcome takeover prohibitively expensive.

It has also recruited some formidable Wall Street firepower. It has retained Salomon Brothers as its investment bank and also taken on board Mr Martin Lipton, one of the best takeover defence lawyers in the U.S. Crown Zellerbach gives every appearance of preparing for a long fight.

Sir James has made his offer conditional on the company withdrawing its poison pill defence. If Crown refuses to bow to his wishes, he has said he intends to wage a proxy battle to replace its board. Sir James's first deadline passed on Monday with no word from Crown, but when its board meets today it will face a difficult choice.

Apart from considering the worth of Sir James's unsolicited offer, Crown's board will also have to decide whether to call his bluff and retain the poison pill, which makes the company virtually invulnerable to hostile takeovers.

The Securities and Exchange Commission has made no secret of its disapproval of poison pill-type defences and there are serious doubts whether the courts will uphold the device, which many people argue works against shareholders' best interests. This view is shared by two Crown Zellerbach shareholders who on Monday filed

a lawsuit in a Chicago court to try to prevent the defence.

Many Wall Street analysts believe Sir James is attracted to Crown because most of the necessary surgery has already been undertaken. The company is much slimmer and a potentially more profitable group than it was four years ago.

When he took over in October 1981, Mr Creson, who is 55, inherited the company which was paying out virtually all its net income in dividends, despite an ambitious investment programme, and was earning a mere 6.3 per cent on its equity, about the lowest in the industry. There were very real doubts about the company's ability to survive the next downturn in the forest products cycle at a time when inter-

est rates were reaching an all-time high.

In his own words, Mr Creson moved quickly to "stop the bleeding and buy time to put a new strategic plan into place." The dividend was slashed from \$2.3 per share to \$1 per share, more than a fifth of the salary staff jobs disappeared and the overall workforce was reduced from 28,000 to 19,000 in just three years.

The group sold off Crown Zellerbach Canada, its major international operation, at a loss and reduced its emphasis on such products as newsprint, market pulp and unbleached kraft papers in favour of higher quality papers, such as computer print-out stationery, with superior added value and market potential.

The company has also earmarked a third of its 2m acres of timberland for sale, since they are not close enough to its four main paper mills. Crown hopes to raise upwards of \$250m from the sale of these "non-strategic" timberlands over the next few years but is unwilling to sell at current depressed prices.

Apart from the physical restructuring of its business, Crown's new senior management team also

	Sales \$m	Net income \$m	Cash outflow* \$m	Return on equity (%)
1980	3.0	57.4	48.1	8.8
1981	3.1	75.3	191	6.3
1982	2.9	(112.2)	191.9	(9.6)
1983	2.7	67.8	62.4	7.8
1984	3.1	86.9	37.3	7.5

* Internal funds generated minus investment.

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Apart from the physical restructuring of its business, Crown's new senior management team also

International Paper earnings fall 33%

BY OUR FINANCIAL STAFF

INTERNATIONAL Paper, the world's largest paper producer, yesterday reported a 33 per cent fall in first-quarter net profits, with the strong U.S. dollar partly to blame.

Profits in the latest three-month period were \$37.1m or 60 cents a share, against \$55.3m or 90 cents in the 1984 period, when earnings were inflated by a \$12.1m gain from sale of land. Sales in the latest quarter slipped from \$1.15bn to \$1.13bn.

Mr John Georges, chairman and chief executive, said: "The strong U.S. dollar has affected our earnings both by depressing the price of our exports and lowering export

volume". The company believes prices have hit bottom, and expects them to firm in some product lines in the second quarter.

Papercraft, a Pittsburgh-based manufacturer of gift wrappings, artificial Christmas trees and household products, is to be taken over in a \$240m leveraged buyout by a corporation to be formed by Citicorp Capital Investors, institutional investors and members of the company's management.

Under an agreement approved by Papercraft's board, shareholders will receive \$22.12 per share, of which \$18 will be in cash and the rest in junior subordinated debentures.

In 1983 Papercraft reported net earnings of \$11.7m.

Abbott Laboratories, the Illinois-based drugs group, lifted first-quarter net earnings from \$88m or 73 cents a share to \$102m or 85 cents, continuing its recent trend of profit growth.

Sales rose from \$721m a year ago to \$758m.

Dow Jones, publisher of the Wall Street Journal, lifted first-quarter net earnings from \$38.8m or 48 cents a share to \$32.7m or 51 cents, while revenues rose from \$228.8m to \$245.8m.

Advertising lineups at the Journal on a per-issue basis was down

0.3 per cent for the quarter.

ITT, the U.S.-based conglomerate which has been refocusing on its electronics and telecommunications equipment business, has reached agreement in principle to sell 12 businesses in its industrial technology group for \$370m.

The buyer is Forstmann Little, a private investment company.

Allied Corporation, the U.S. chemicals, energy and aerospace concern, has agreed to sell 50 per cent of Union Texas Petroleum, its oil and gas subsidiary, to an investment group led by Kohlberg Kravis Roberts and including members of Union Texas management.

Computervision forced to lay off 950 staff

BY PAUL TAYLOR IN NEW YORK

COMPUTERVISION, the hitherto fast growing U.S. electronics group, yesterday laid off 950 employees, or about 14 per cent of its 6,800 strong worldwide workforce.

The lay offs are the latest indication of the problems facing the company, which pioneered the use of cad/cam (computer-aided design/computer aided manufacturing equipment) systems.

Computervision increased its income from continuing operations by 43 per cent to \$14.9m on revenues up 47 per cent to \$103.9m last year. Earlier this month, it warned

that it expected to post a first-quarter operating loss of up to \$13.7m on declining revenues.

The company then blamed the reversal on "a continuing sluggish market and other contributing factors." Computervision has invested heavily in attempting to make cad/cam systems able to operate with computers made by a range of other manufacturers.

The overall market for such equipment is estimated to have totalled about \$2.5bn last year but its growth has recently slowed

Share sale to aid troubled Petrosar

By Bernard Simon in Toronto

THE CANADIAN subsidiaries of Du Pont and Union Carbide are to sell their combined 40 per cent holding in Petrosar, one of the country's largest petrochemical producers, as part of efforts to rescue the loss-making company.

The shares will be sold to Polysar, the synthetic rubber producer, which is Petrosar's largest shareholder. Du Pont and Union Carbide will receive Polysar preferred shares valued at C\$188m (U.S.\$138m). They have agreed to subscribe for more than C\$200m of the non-voting preferred shares in Polysar's parent, the state-controlled Canada Development Corporation.

These funds will be used to reduce Petrosar's C\$400m debt and to start a capital programme aimed at improving the company's competitiveness. Polysar will take over all Petrosar's financial obligations.

Petrosar, which supplies 40 per cent of Canada's primary petrochemical needs, has lost more than C\$100m in the past two years. The main cause of its problems is its reliance on oil-based feedstocks, which are more expensive than the natural gas liquids used by most of its competitors.

Mr Robert Dudley, Polysar president, said yesterday that the key to Petrosar's restructuring was a reduction in feedstock costs. The company is converting part of its plant to gas-based raw materials, and expects that deregulation of domestic oil prices later this year will bring substantial benefits.

Polysar recently set up a joint venture with a Calgary-based petroleum products broker to supply natural gas liquids to Petrosar at costs matching those of U.S. petrochemical refiners.

The Petrosar refinery at Sarnia, Ontario, has a capacity of 1.3m tonnes a year. It was built in 1978 to increase Canada's self-sufficiency in petrochemicals.

Bremer Landesbank reports successful year in 1984

Financial Highlights as of December 31, 1984

Business volume	DM 24.8 billion
Total assets	DM 23.1 billion
Credit volume	DM 18.1 billion
Outstanding bonds	DM 12.6 billion
Dividend	DM 10.1 million
Capital funds	DM 512.5 million


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INTL. COMPANIES & FINANCE

Alan Friedman on the offshore ambitions of a land-locked group

Micoperi plans giant floating crane

THINK OF the offshore oil industry and any number of images come to mind: Wave-splashed platforms in the North Sea, exploration ventures off the coast of China, or engineers flashing from helicopters in Aberdeen. A less likely image would be the commercial streets of land-locked Milan.

But it is in Milan, that most Central European of Italian cities, that plans are being hatched by a little-known company to launch, within two years, what could be the world's most powerful floating crane for offshore oil use. Micoperi, a privately-owned company which employs 500 people and started life in 1945 as a salvage operator (working to free Mediterranean shipping routes from vessels sunk during the Second World War), is spending L485bn (£242m) to build the huge, semi-submersible vessel.

When the 190 metre-long Micoperi 6000 is complete, the company expects to put it to work immediately in the North Sea and then to double its turnover, at present amounts to around \$100m a year.

The story of Micoperi's plan to offer the offshore oil industry a large capable of raising loads up to 12,000 tonnes is a classic example of Italian ambition, the same kind of enterprise which sees obscure Abruzzo knitwear companies travelling to Peking to sign contracts with China.

The financing techniques being used by Micoperi also illustrate

Italian flair and the ability to secure sizeable government aid. Micoperi is an offshore contracting company with offices in 11 countries. Although relatively small it has scored some notable successes in the offshore sector, best known for companies such as McDermott and Brown & Root of the U.S. Heerema of the Netherlands and ET&M of France. The company was started by Dr Giovanni Makaus, a former naval officer, and is 75 per cent-owned by Dr Makaus and an Italian partner. Swiss investors hold the remaining 25 per cent of the unquoted business.

Among Micoperi's early successes was a prominent role in the unblocking of the Suez Canal after 1956, the 1959 construction of the first offshore platform ever built in the Gulf (for the Government of Iran and Agip, the Italian state oil group, and more recently the construction of two platforms in Ireland's Kinsale offshore gas fields, south of Cork).

Close to bankers

Micoperi is based in Milan, rather than at a port such as Genoa for only one reason: finance. "We had trouble obtaining finance from the banks in the early days because salvage companies had a bad name. So we came to Milan to be close to the bankers," recalls Dr Makaus.

Planning for the Micoperi

6000 semi-submersible crane vessel (SSCV), which will carry two giant booms capable of raising loads of 6,000 tonnes each, got under way in earnest last year when the company formed a new subsidiary to handle the financing. The subsidiary, Micoperi Offshore, was formed with an initial capital of L5bn which by this autumn is due to be increased to L80bn. Micoperi itself will retain a 51 per cent stake in the venture, while British, Italian and Norwegian investors are to provide the balance.

So confident are Micoperi and its bankers about the crane, with its advanced hull capable of a 30 metre draught, that financial arrangements have already been completed. The vessel, which will be built by Fincantieri, the state-owned shipbuilder which is part of the IRI state holding group, is due for delivery in 1987.

While Micoperi and its partners will supply L80bn toward the L485bn project, the Italian Government has been persuaded to make over L156bn in grants from the Ministry of Merchant Marine Affairs. The remaining L240bn of funds required is to come in a seven-year medium-term loan from IMI, the state corporate finance institution.

Normal gearing considerations appear not to concern Micoperi or its financiers, in part because the company is generating plenty of cash flow

(it last year won \$100m worth of orders for the installation of two offshore platforms in Libyan waters) and in part because it claims to have only L30bn of debt at present.

But most significantly, Dr Makaus says the crane, which will be able to carry out construction work in force eight gales without anchors, is already attracting enough orders to ensure that it will be commercially viable. "The only reason we cannot actually sign contracts is that we are not sure of the exact month when it will be ready," he says.

Diesel submarine

To accompany the crane, Micoperi is developing a small diesel-powered submarine which will be used for rescue and inspection purposes. The submarine is being built for Micoperi at a factory in Bergamo, the historic town located 20 miles north-east of Milan in the foothills of the Alps. The submarine is being built for Micoperi at a factory in Bergamo, the historic town located 20 miles north-east of Milan in the foothills of the Alps. The submarine is being built for Micoperi at a factory in Bergamo, the historic town located 20 miles north-east of Milan in the foothills of the Alps.

"In terms of turnover we are not a very big company," says Dr Makaus, "but in terms of technical skills we would like to think we are among the best."

Wildcat well may hold 1bn barrels of crude

BY JOHN McILWRAITH IN PERTH

A WILDCAT well in Australia's remote Canning Basin, where drilling began at the weekend, is attracting unusual interest in the oil industry because it is testing one of the biggest structures mapped in recent years.

East Yeeda No. 1, which links oil majors such as BP, CRA, and Gulf Oil in partnership with four other Australian companies, was moved into a structure with the potential to hold up to a billion barrels of oil.

If the standard fifth of this was recoverable, it would add nearly 10 per cent to Australia's crude oil reserves.

Such estimates are not the euphoria of a stockbroker, but

based on careful reservoir calculations made by the participants. Industry officials say the results will be watched with particular interest because no previous wells have been drilled into a structure of this size, in this basin, with the benefit of modern seismic definition.

The biggest interest in the well—in the north-west corner of the Australian continent—is held by Eagle Corporation, which was the original holder of the permit area EP-14.

It now holds 21.5 per cent, having recently sold 4 per cent each to Bridge and BP for A\$1.7m (US\$1.16m). CRA has an option over another 9.5 per

cent held by Eagle, for which it will pay A\$2.45m.

At present Bridge, BP and CRA each hold 20 per cent, Gulf 15 per cent, and two other Australian companies, Victoria Exploration and Balmoral Resources, 1.75 per cent each.

The Canning Basin is regarded as holding good prospects, with two small producing oilfields, one only 12 miles from the East Yeeda drill site, and many promising oil and gas shows. However, a major discovery has always appeared to be just beyond reach.

The industry is particularly enthusiastic about this target not only because of its size, but

the apparent absence of disruption in the geological structure which at least increases the chances of an oil reservoir. It occurs in two horizons, the Grant and the Anderson, with thick layers of up to 400 ft and 427 ft respectively. In the Grant, the structure covers an area of 11,000 acres, in Anderson 6,000 acres.

The well will be deep, more than 11,000 ft, but being onshore is cheap to explore—about A\$3m, compared with the extensive offshore exploration programmes that have been carried out in Australian waters.

Hong Kong court commits George Tan to full trial

BY OUR FINANCIAL STAFF

MR GEORGE TAN, the former chairman of Carrian Investments, and four associates were committed to trial yesterday by a Hong Kong court after a six-month preliminary hearing established they had charges to face concerning the collapse of the property and shipping group in 1983.

Mr Brian Sutcliffe, the magistrate who has heard the case, ruled that Mr Tan and Mr Bentley Ho, a former Carrian director, should stand trial with Mr Richard Wallis, a solicitor, on individual charges of conspiring to defraud shareholders and creditors of Carrian over the sale of a building.

In addition Mr Tan, Mr Ho and two Price Waterhouse

accountants, Mr David Begg and Mr Anthony Lo, face charges of conspiring to defraud by making false and misleading statements.

All the charges are denied by the defendants, who are on bail. The full trial is expected to begin in October.

Mr Sutcliffe rejected a Crown request that bail for Mr Tan—set at HK\$52.1m (U.S.\$6.7m)—be revoked.

Carrian was put into liquidation in October 1983 with debts reaching an estimated HK\$10bn. Its main creditor, Bank Bumi Putra of Malaysia, which had an exposure to Carrian of some HK\$8bn, had to be rescued last September as a consequence.

Raleigh Cycles in bid for Cold Storage Malaysia

BY WONG SULONG IN KUALA LUMPUR

RALEIGH CYCLES of Malaysia, a property and bicycle company, yesterday announced a 110m ringgit (\$44m) takeover bid for Cold Storage Malaysia (CSM) through a share exchange offer.

The move is seen as part of an ongoing exercise by Mr Daim Zaiduddin to rationalise his business interests following his appointment as Malaysia's Finance Minister last July.

Through his family company, Taman Maluri, Mr Daim has majority control over Raleigh Cycles, while another of his family companies holds a 29.6 per cent stake in CSM. Raleigh will offer two new shares valued at 2.25 ringgit each for every one of the 47m

shares of one ringgit each in CSM. The new Raleigh shares will not, however, be entitled to a one-for-two scrip issue and a one-for-one rights issue approved by shareholders last week.

CSM, which manufactures food and allied products and operates a chain of supermarkets, made net profits of 3.4m ringgit on a turnover of 75m ringgit for the year to January 1984.

Raleigh also announced its results for the year to January 1985, which showed a drop in pre-tax profits to 9.4m ringgit from 29.9m ringgit. The fall was largely due to a slowdown in sales of residential properties.

NEW ISSUE

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March, 1985



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Republic of Indonesia

Floating Rate Notes Due 1993

In accordance with the provision of the Notes, notice is hereby given that for the six month Interest Period from 9th April, 1985 to 9th October, 1985 the Notes will carry an Interest Rate of 9 3/4 per annum. The interest amount payable on the relevant Interest Payment Date which will be 9th October, 1985 is U.S. \$301.98 for each Note of U.S. \$10,000.

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April 10, 1985

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April 10, 1985

RESOURCES REVIEW

Chilean copper: investors hold back in spite of low costs

By Jane Monahan

FOREIGN INVESTMENT IN CHILE'S COPPER INDUSTRY

Project	Agreed investment (\$m)	Committed investment by 1982 (\$m)	Developments since 1982
Quebrada Blanca	500	25.9	Indefinitely postponed
Los Pelambres	1500	55.4	Indefinitely postponed
Cerro Colorado	1500	4.4	\$250m financing recently negotiated, but Rio Algom, majority shareholder, undecided about go-ahead
Disputada	1200	54.4	Development scaled back to \$500m underground project
La Escondida	1900	29.7	Tecoma seeking buyer for its stake, BHP unwilling to press ahead without a new investor

Source: Chilean Copper Commission 1982 annual report and various reports

STORM CLOUDS are gathering in Chile, the world's biggest copper producer.

The government of General Augusto Pinochet is committed to raising copper production, and even to doubling it during the 1990s. But a disagreement is growing over who should be responsible for the increase — CODELCO, the state-owned copper corporation, or private foreign companies.

CODELCO, which favours a national approach, would like the increase to be covered by the state. The corporation has ambitious plans to raise production in the country's largest mines, which are also state-owned. Chuquibambilla, El Teniente, Andina and El Salvador — from an output of just over 1m tonnes last year to 1.5m in 1985.

CODELCO believes this expansion is viable. Copper prices in dollars may rise to their lowest level in 50 years, averaging 60 (U.S.) cents per copper lb. However with production costs in Chile of only 45 cents a lb, and CODELCO's 26,000 miners earning just one tenth of what U.S. copper miners earn, CODELCO has floated when others have sunk. U.S. copper producers spent much of the last year campaigning for tariffs against Chilean copper.

In 1983 CODELCO made net profits of \$220.6m. In 1984 it earned \$140m. Other Third World producers (Zaire, Zambia, Peru, the Philippines) where production costs averaged 60 cents a lb, barely broke even. In the U.S. where production costs are 75 cents per lb copper miners are running at a loss.

But for CODELCO to realise its plans, a much higher proportion of its profits would have to be spent on capital investments than is currently spent. As it is, there is resentment among the nationalists over the way in which the Pinochet Government is allegedly milking the corporation dry, in order to prop up Chile's teetering economy. Chile relies on CODELCO for 46 per cent of its foreign exchange.

And, for the last eight years, CODELCO has paid out an average of \$600m in taxes a year, nearly all of which has been consumed to pay the

government's interest payments on the country's \$200m foreign debt.

This syphoning off of the Corporation's resources has been possible because authorisation for investments in the state-owned mines now no longer depends on CODELCO, but on a recently created Chilean Copper Commission.

The Commission is also responsible for authorising foreign investment projects. And together with the Ministry of Mines and the Ministry of Finance, it would prefer the increase in Chile's copper production to be accounted by foreign private enterprise, not by CODELCO.

The Commission's free market, open door approach has found its strongest expression in a series of mining investment decrees. These offer what one international company calls "an array of almost irresistible enticements and guarantees."

Under these decrees, no limit is set on the exploitation of mining concessions by foreign companies. Companies are also guaranteed in the event of nationalisation by a future Chilean government.

As a result, foreign companies rushed back to Chile in the mid-1970s with an enthusiasm as the oil companies had shown when they catapulted themselves into the

the mine to production.

Robert Hichman, director of Latin American Investments for Utah Mining, says studies were completed in 1983 for taking La Escondida to production on an open-pit basis, working on some 545m tons of near surface ore, with a high 2.19 per cent copper grade. He says production could have started in 1985, at estimated costs of US\$1.5bn.

Foreign companies attribute the delays in investing in Chile to the long periods required for mining investments — for instance La Escondida involves commitments of 40-50 years — and the depressed state of the mining industry. The oil companies have also recently realised their mistake of having moved into copper mining in an oil glut, only to find their investments a copper glut as well. Many oil companies began to shed their mineral assets. Texaco, which acquired a 50 per cent interest in La Escondida when it bought Getty Oil early last year, is now looking for a buyer.

This leaves Australia's giant mining conglomerate, Broken Hill Proprietary (BHP), in charge of the project. But it has never publicly mentioned the possibility of these mines being returned to the private sector in the 12 years he has been in power.

For the more sanguine observers, the very generosity of the Pinochet government's decrees seems to conspire against their long-term credibility: it would be extraordinary if a government replacing the present one were not to seek substantial changes in the rights and privileges offered investors.

There are also potential marketing problems. Simon Hobson of Metals and Minerals says if La Escondida is brought on stream, with an output of 200,000 tonnes a year, as originally planned, then the terms in the world's smelting market for the treatment of unrefined copper could drastically change, with the increase in supply favouring the smelting companies and raising costs for copper producers.

The confidence of the foreign companies is also affected by the fact that in 1973, when Chile last had an elected government, production costs in the copper industry amounted to 75 cents a pound, and Chilean miners were among the country's most privileged.



President Augusto Pinochet

the U.S. copper companies (Anaconda, Kennecott and Cerro Corporation) for the nationalisation of their Chilean assets by the government of President Allende in 1971. He has never publicly mentioned the possibility of these mines being returned to the private sector in the 12 years he has been in power.

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Joint announcement

by
Liberty Holdings Limited
(Liberty Holdings)

and
Liberty Life Association of Africa Limited
(Liberty Life)

Acquisition of 8.7 million ordinary shares in Standard Bank Investment Corporation Limited ("Standard"), acquisition of rights in the proposed Standard share issue from Standard Chartered plc and underwriting arrangements in connection with such rights issue

On 2 April 1985 it was announced by Standard Bank Investment Corporation Limited ("Standard") and Liberty Holdings Limited ("Liberty Holdings") that they had entered into a joint announcement in connection with the proposed Standard share issue from Standard Chartered plc and underwriting arrangements in connection with such rights issue.

The board of directors of Liberty Holdings and Liberty Life wish to announce that arrangements have been entered into with Standard Chartered plc ("Standard Chartered") in connection with the proposed Standard share issue from Standard Chartered plc and underwriting arrangements in connection with such rights issue.

Standard Chartered plc has agreed to issue 8.7 million ordinary shares in Standard Bank Investment Corporation Limited ("Standard") at a price of 100 pence per share. The shares will be issued in two tranches, the first of 4.35 million shares and the second of 4.35 million shares.

Liberty Holdings and Liberty Life have agreed to subscribe for 4.35 million shares in the first tranche and 4.35 million shares in the second tranche. The shares will be issued in two tranches, the first of 4.35 million shares and the second of 4.35 million shares.

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FINANCIAL TIMES SURVEY

Wednesday April 10 1985

MACAO

The visit to Peking next month by Portugal's President Eanes marks the prelude to talks on how Macao will eventually revert to Chinese control. In the meantime, the territory has entered a period of rapid political and economic development.

China assumes stronger role

By DAVID DODWELL, Hong Kong Correspondent

PORTUGAL'S COLONIAL control of Macao, the tiny enclave on China's southern coast, began in the 16th Century. It is unlikely to survive into the 21st century.

As officials, together with local Chinese and Macanese, turn their minds somewhat reluctantly to the implications of reintegration with China, the territory has entered a period of rapid political and economic development.

The economy grew by more than 9 per cent last year in terms of gross domestic product. Major infrastructural spending has begun to bear fruit. Foreign investment is starting to rise — from China as well as further afield — and plans are afoot to attract more foreign banks into the territory.

First step

In this encouraging context, the visit to Peking in May by Portugal's President Eanes will be a first step towards talks on how this Portuguese-administered territory (Lisbon has for a decade dropped any claim to sovereignty over Macao) will in due course revert to Chinese control.

China's diplomats, flushed by the successful completion of negotiations with Britain over the return of nearby Hong Kong to Chinese sovereignty when Britain's colonial leases run out in 1997, are confident that "the Hong Kong solution" can be applied equally successfully to Macao.

They are, however, in no hurry to settle matters. They have said they will tackle the issue "when the time is ripe" — a phrase that will echo in the ears of Hong Kong citizens as they recall the first tentative Sino-British discussions in 1979. A major difference is that

the Portuguese, who first settled in Macao in 1557, face no awkward deadline like that faced by their British counterparts in Hong Kong—who held a 99-year lease on most of the territory which expired in 1997.

With nothing to force matters to a head, the implicit understanding for several years has been that the Portuguese can continue administering Macao as long as they do it well. President Eanes' visit is likely to make it clear that this understanding no longer exists.

Recovery of sovereignty may not be imminent, but a timetable is about to be set. One clear result of this change is that Peking's involvement in Macao is becoming more direct and more visible. Nam Kwong, China's diplomatic and trading arm in the territory, has with other China-linked organisations taken a more active role in keeping the peace between Macao's squabbling political factions.

They are taking a closer interest in economic development, with a growing number of joint ventures being formed both in Macao, and in the nearby special economic zone of Zhuhai.

This growing involvement was simply demonstrated last spring, when Governor Vasco de Almeida e Costa dissolved the

legislative assembly after months of dispute with local political groups over constitutional powers.

The Governor called elections in which he broadened the franchise for the first time to give the local Chinese—who make up 97 per cent of the population—the major say in the outcome. He said he wanted the assembly to be more representative.

Nervous

Peking was nervous about this broadening of the franchise. It has no enthusiasm for the "adversarial politics" typical in western democracies, and has in the past been perfectly happy for politics to remain a game that the Portuguese play.

Moves were promptly taken, firstly to make sure that the newly-enfranchised Chinese voted appropriately, and secondly to persuade the Portuguese to end their squabbles.

Both the Governor, and Dr Carlos Assumpcao, Macao's most influential local politician, were invited to Peking for private talks. There have been no further clashes since the Assembly reconvened in October.

Despite the squabbles, Governor Almeida e Costa's period in office is likely to be remembered as one of the most effective in Macao's recent

history. After administrations better known for talk than action, he has forced through major improvements in the territory's infrastructure.

Macao now has sufficient electricity to meet any foreseeable needs, has direct international telephone links, and has a deep water port under preparation. Resources are now being shifted to improve housing, hospitals and schools. He has built white elephants — like roads that go nowhere, schools with no local population, and a 100 ft high monument supposed to symbolise no one quite knows what, but the action in its own right is revolutionary for Macao.

It is an open secret that the Governor harbours ambitions to become Portugal's President, and at one stage nurtured hopes that his work in Macao could provide a springboard for the election to be held next year when President Eanes stands down.

It has now become clear that he has no practical hope of bidding successfully for Presidency in 1996, but it is almost certain that he is planning his best strategy for ensuring a successful assault when the next opportunity arises.

Some analysts have suggested that this will mean he will want to return to Portugal in autumn this year. However, since it is far from clear at this stage who will succeed President Eanes, the Governor may feel the best policy is to remain in Macao for a further two years before making a move.

Since any change in Governor usually involves a major upheaval in the senior ranks of the local administration, it is understood the Chinese would prefer him to stay.

Orchestrating Macao's economic planning until the end of



Macao: poised for a period of rapid economic growth

last year—and responsible for many of the changes to the Governor's credit—was the Economics Secretary, Dr Joao Antonio Costa Pinto, acknowledged as one of the most able technocrats ever to fill the portfolio. By building up the local monetary authority and improving the regulation of banking and financial activity, he has laid the foundation for Macao to be a credible offshore banking centre.

New licences

A group of foreign banks were given licences to operate locally two years ago, and new licences are soon to be offered once amendments to the existing banking ordinance have been completed. With Hong Kong just 40 miles away, Macao is unlikely ever to become a major offshore banking centre, but it is well placed to take an important part in financing the development of southern China.

The recent return to Portugal of Dr Costa Pinto has raised questions over whether the momentum for such reforms

can continue. His successor, Dr Luis Simoes, has, after four months in office, yet to make his mark as an equally able economic planner.

Officials in Macao remain sensitive over the territory's subordination to Hong Kong. For many years, all contact with the outside world has been through Hong Kong. Almost all foreign investment was Hong Kong investment, making the territory vulnerable to any setback in the British colony.

This has irked the administration, and has without doubt frustrated attempts to speed development. Since Hong Kong's property crash in 1982, and the subsequent two years of political uncertainty surrounding Sino-British negotiations of Hong Kong's future—both of which took their toll in Macao—the commitment to reduced dependence has been redoubled.

This has brought benefits—most obviously the improvement in telecommunications—but it has led to discussion of some fanciful projects. Most

obvious are proposals for an international airport, to be built on reclaimed land.

This plan now seems to have been dropped, though talks continue with the nearby Chinese economic zone of Zhuhai on the possibility of a jointly funded airport. The viability of even this project is questionable.

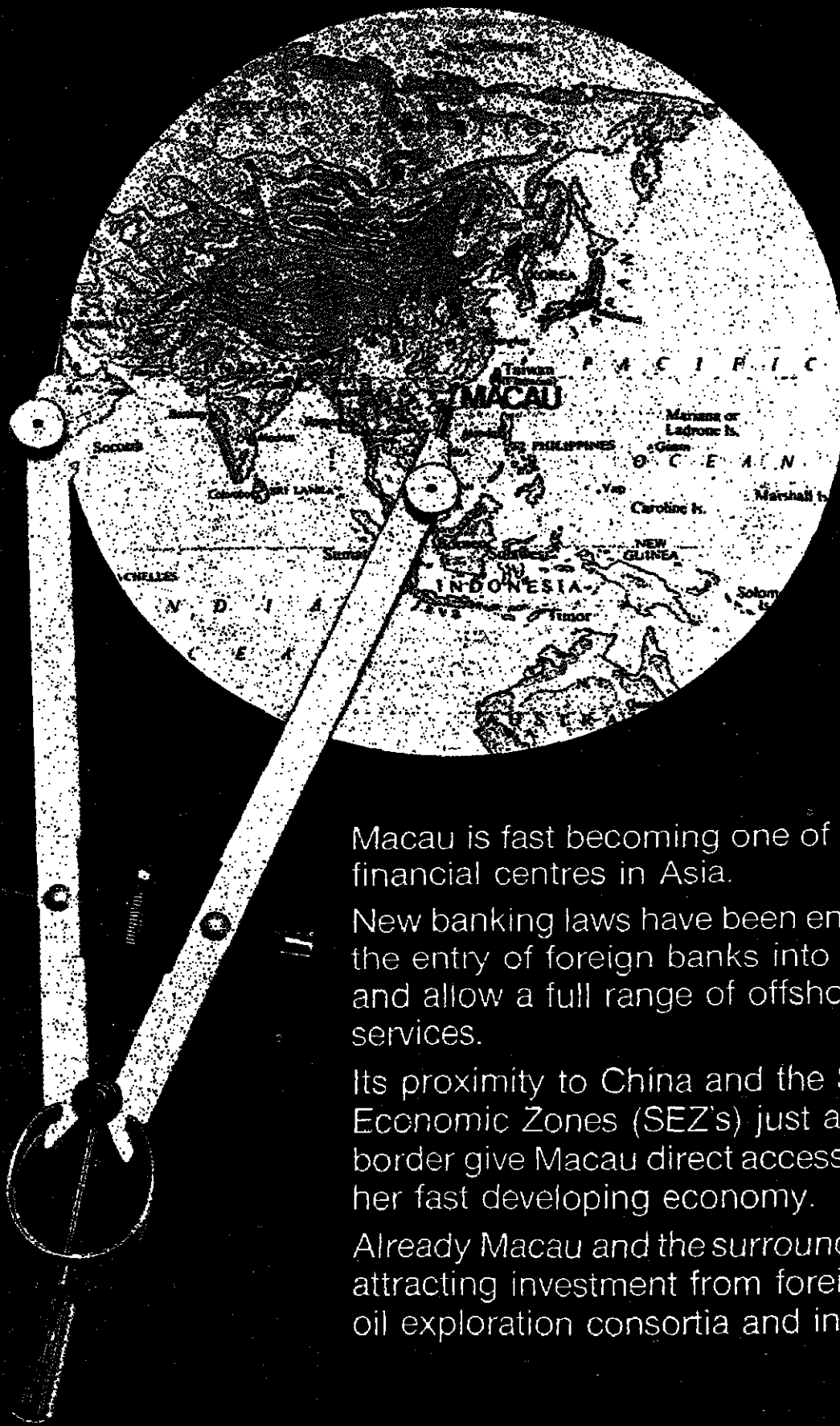
Back door

It is becoming increasingly clear that Macao's future is—like that of Hong Kong—inevitably locked into that of China. As economic development on the mainland accelerates, particularly in the Pearl River Delta area that forms Macao's hinterland, so the territory seems poised for a period of rapid economic growth.

As one American businessman recently observed: "If Hong Kong is the front door to China, then Macao is the back door. There are a lot of countries around the world who envy them for that—whatever the worries about eventual integration with the mainland."

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FINANCIAL CENTRE

Macau is fast becoming one of the emerging financial centres in Asia.

New banking laws have been enacted to ease the entry of foreign banks into the Territory, and allow a full range of offshore banking services.

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MACAO 2

Diversification moves at slow pace

Economy
DAVID DODWELL

MACAO'S CORNERSTONE policy of economic diversification may not be moving as far or as fast as the Government would like, but there can be no complaints at the pace at which the economy has grown over the past year. Most signals remain encouraging for the year ahead.

Efforts to reduce dependence on textile exports have not been completely in vain. They now account for 70 per cent of total exports, compared with about 75 per cent at the end of 1983. At the same time, exports to the U.S. have swollen to account for one third of the territory's total, putting into reverse attempts to diversify into new markets in the Middle East and Asia.

Most visible progress has been made in efforts to reduce Macao's dependence on nearby Hong Kong. Officials in the Portuguese-administered territory insist that they are not seeking independence—merely to develop Macao's links with the outside world to the extent that it is no longer swept along at the mercy of whatever economic tide is flowing in Hong Kong.

This has been particularly important over the past three years, which have included a major property market collapse in Hong Kong, and severe political uncertainty linked with Sino-British negotiations over Hong Kong's future once China regains sovereignty in 1997.

The large proportion of government funds have been spent in Macao over the past two years on transforming the infrastructure. International telephone calls no longer have to be routed through Hong Kong. Work will soon begin on a deep water port which will allow Macao to ship containers directly to South East Asia or Japan. At the moment, all

international cargo has to be carried by barge to Hong Kong for containerisation or transshipment.

Macao still relies heavily on Hong Kong entrepreneurs for investment in local industry, but improvements in electricity supply, and plans to reclaim land for industrial and commercial development, are already showing signs of enhancing the flow of foreign investment in manufacturing industry.

Macao's economy, as measured by its gross domestic product, grew by about 9.5 per cent last year, according to figures just finalised by the territory's economics department. This is slightly below the 10 per cent growth of 1983, but compares favourably with economic achievements elsewhere in the region.

This growth was largely due to a strong export performance over the year. Exports grew by 22.2 per cent in value terms, to 7.3bn patacas (£778.8m) while imports rose by a more modest 18.2 per cent to 6.4bn patacas. This led to a record surplus of 920m patacas, which compares with a 250m pataca surplus in 1983.

Surge

The Economics Department attributed the surge in exports to brisk expansion in the U.S. economy, and to a significant rise in orders for textiles after agreement late in 1983 on new quota limits. Macao's exports to the U.S. amounted to 2.3bn patacas, or 31.7 per cent of total exports. This represented a 47.5 per cent increase in the value of sales over the year. Exports to China also rose from a low level by 78 per cent in 1984.

By contrast, exports to the comparatively dull EEC markets grew by just 17 per cent. It is unusual for Macao's exports not to follow the pattern of its imports but this has been the case over the past year. This is due in part to a decline in the purchases of foodstuffs from China.

Capital goods imports also

Macao imports (1982-84)

	1982		1983		1984	
	Value	%	Value	%	Value	%
People's Republic of China	1,607.6	36.2	1,928.6	35.7	2,266.5	35.5
Japan	657.2	14.8	794.1	14.7	970.5	15.2
Hong Kong	444.1	10.0	599.6	11.1	739.8	11.9
U.S.	479.7	10.6	502.4	9.3	612.9	9.6
EEC	355.2	8.0	405.2	7.5	459.7	7.2
Taiwan	255.4	5.7	281.7	5.2	376.7	5.9
Others	870.5	19.1	830.6	15.3	938.4	14.7
Total	4,450.3	100	5,402.2	100	6,385.3	100

* Figures adjusted tracing re-exports through Hong Kong to presumed true origin of goods.
Source: Economics Department of Macao.

Macao exports (1982-84)

	1982		1983		1984	
	Value	%	Value	%	Value	%
North America	1,085.5	24.2	1,569.4	27.9	2,314.2	31.7
U.S.	1,054.3	23.5	1,569.4	28.6	2,314.2	30.4
EEC	1,712.2	38.2	2,024.7	35.5	2,482.5	24.0
West Germany	537.5	12.0	667.6	11.5	775.4	14.6
France	522.0	11.7	592.9	10.5	748.6	10.2
UK	267.9	6.0	352.6	6.2	492.4	6.7
Italy	190.9	4.3	205.2	3.6	218.5	3.0
EFTA	241.2	5.4	236.8	4.2	256.4	3.5
Asia and Pacific	1,263.5	28.2	1,643.5	29.1	2,115.4	20.0
People's Republic of China	157.3	3.5	212.1	3.8	278.2	5.2
Hong Kong	942.2	21.0	1,243.0	22.0	1,468.8	20.1
Others	176.0	3.9	179.6	3.2	135.6	3.9
Total	4,479.3	100	5,652.2	100	7,305.0	100

Where Macao's exports go

	North America	EEC	Other Europe	Asia/Pacific	Middle East	Other	Total
Textiles/garments	28.8	34.4	4.8	26.2	1.3	0.5	100
Toys	54.0	35.2	1.0	9.3	0.1	0.4	100
Artificial flowers	92.6	4.2	0.2	1.9	0.0	0.0	100
Electronics	14.2	62.5	0.2	21.0	1.0	0.2	100
Leather goods	34.4	31.5	0.5	36.9	0.4	0.1	100
Furniture	32.4	3.4	2.2	59.5	2.0	0.6	100
Ceramics	44.2	18.3	7.1	26.4	1.8	0.3	100
Total exports	31.7	34.0	3.5	29.0	7.4	1.8	100

tumbled during the middle of the year, widening the trade gap, and arousing worries that export growth could not be sustained with declining investment in manufacturing industry. The Government was therefore pleased to report a rally during the final quarter of the year, with the volume of capital goods imports rising more than 27 per cent above the 1983 level.

While the possibility of increasing protectionism in the U.S. casts a shadow over prospects for strong growth in textile exports, there are signs that other sectors will perform well. A total of 54 new industrial plants was opened in the second half of 1984 — three times the number opened in any six-month period since 1982.

The territory's embryonic electronics industry, which is mostly involved in making casettes for the European market, has been flat, but new factories opening in the autumn last year, one of them producing software for computerised safety systems in China's mining industry — show the industry is breaking into new ground.

Strongest growth has come in the toy industry, which now accounts for 10 per cent of Macao's exports. One industry which continues from strength to strength is gambling which still generates 61.5 per cent of all government earnings, and finances the Hon's share of public investment which amounted to 400m

patacas in 1984. More than 4m tourists visited Macao last year, 87 per cent of them Hong Kong residents, and the great majority there to gamble.

As the programme of heavy public investment in infrastructure comes to an end, and the foundations are laid for many new manufacturers to set roots in Macao, the Government says that a larger proportion of its spending will be for low cost housing, schools and hospitals — all amenities that are in extremely short supply at present.

However, few businessmen are yet confident at Macao's ability to stand on its own two feet. While labour costs are low (about one-third of those in Hong Kong), electricity charges are high, and the cost of getting goods to buyers still comparatively high.

Mr Vitor Ng, head of the territory's export promotion council, speaks for many when he says: "Given equal quality and equal price, buyers will still choose a product from Hong Kong rather than Macao. It is just that bit more convenient." For this reason, many Macao exporters continue to rely on privileges granted under the U.S. General System of Preferences (GSP), or under the quota system.

"It may not be for some time yet, but there will be a day when we have to compete without such privileges," Mr Ng predicted. "That is a day we have to prepare for now." Under the latest Governor, he has few grounds for complaint.

Politics

DAVID DODWELL

TRUE POLITICAL power in Macao has for some years been wielded invisibly, and by China. That said, the visible side of the territory's politics—waged by Portuguese and Macanese contestants mainly in the legislative assembly—has over the past year provided a colourful spectacle.

Governor Rear-Admiral Vasco de Almeida e Costa has, as usual over the territory's 400-year history, indicated the passions of the small local community of Portuguese descent—the Macanese. At the same time, he has steamrollered important changes—with half an eye to using the territory as a springboard for presidency in Portugal when President Eanes steps down next year.

Matters came to a head just a year ago, with the Legislative Assembly being dissolved in uproar—but only after the Governor introduced new electoral laws which he said were intended to make the Assembly more representative of the Chinese community that makes up 97 per cent of the 450,000 population.

Local Macanese politicians cited the Governor a dictator, while he complained of corruption and bureaucratic indolence blocking urgently needed economic reforms.

While such clashes seem to be the stuff of which the territory's history under Portuguese administration has been made—it is not unknown for governors to be murdered—they aroused alarm in China, and prompted swift moves by the territory's true power brokers to restore decorum.

A main reason for discreet Chinese intervention seems to have been concern that disturbances in Macao might aggra-

vate the neuroses of people in Hong Kong during the final months of Sino-British negotiations over the colony's future when China regains sovereignty in 1997.

While Macao faces no similar deadline, it is almost certain that the two territories will face a similar fate. Peking's tacit approval of greater political involvement by Macao's Chinese has not passed unnoticed in Hong Kong's Chinese majority.

Peking was nevertheless understood to be nervous about the electoral reforms being proposed by the Governor, aware that the erstwhile passive Chinese majority into "visible" politics, he might upset existing power arrangements.

Democracy in Macao had always been a game the Portuguese played, and China was far from certain whether it wanted the local Chinese to learn the rules. It was perhaps no accident that Chinese voters used the polls—through which six of the 17 assembly members were chosen—to return Macanese politicians to power.

The Chinese majority in the Legislative Assembly comes from indirect elections via six "functional constituencies"—demonstrating China's preference for sectional representation over democracy.

An article in *On Man*, a local newspaper, after reflecting Peking's views, commented: "For the sake of the stability and prosperity of Macao, we think that Chinese residents should not meddle in the disputes of the Portuguese."

"The Chinese read the riot act to the Governor and Macao's squabbling politicians—and they got the message," commented one experienced observer. By August, when most Chinese want to the polls for the first time, dangers were no longer drawn.

The Assembly has since re-

A much-needed boost to the industry is likely if Macao becomes an offshore banking centre

Proposals for reforms near completion

Banking
BY A SPECIAL CORRESPONDENT

FOR MACAO'S modest banking industry, 1984 was a slow year. The retail market was over-saturated, credit demand eased and an array of related difficulties kept profits slim at most banks. But if reforms now being drafted succeed, then the future promises to be different.

Under a scheme to be made public later in the spring, Macao hopes to launch an offshore banking centre, replete with foreign exchange and money markets, merchant banking facilities and China trade departments.

It is a gleaming notion, but not a new one. For much of the past two years, authorities in Macao have talked about reforming the territory's banking industry. Last year, its monetary authority, the Instituto Emisor de Macao (IEM), outlined regulatory and legal reforms aimed at enticing banks to the territory and fostering growth in the banking sector.

"The potential for the development of the local financial sector beyond its basically domestic role was recognised and a development strategy has emerged, aiming to transform the financial sector," a senior IEM official told a gathering of international bankers in Macao in November. Local bankers say the territory's banking industry needs a boost. The number of commercial banks has grown from one in 1970—Banco Nacional Ultramarino—to seven three years ago, and 23 today. These operate 90 branches for a population of about 350,000.

Struggling

Three of Macao's five state-owned Portuguese banks conduct only wholesale business and one, Nacional Ultramarino, functions largely as a note-issuing and reserve-managing agent for the IEM. But the remainder of the banks in Macao are engaged largely in retail banking—and some are struggling to carve out shares of the market.

"It's quite difficult to become a competitor among the traditional banks here," says Mr William G. Cortezia, assistant general manager of Banco do Brasil's Macao office. Last year, its fourth in Macao, Banco do Brasil reported an operating profit of a mere 2,500 patacas (22¢) on an operating income of 25m patacas. According to public statements of operating costs and income, two banks—Banco Hang Sang and European Asian Bank—even made losses in 1984.

"This market is oversaturated and the IEM knows that," says

an executive at the Hongkong and Shanghai Banking Corporation: "There are plenty of factors that can detract from profits."

Because Macao has no rigid interest-rate structure, banks often cut rates—and profit margins—in their competition for clients. Forward currency contracts for trade financing are difficult to arrange because the IEM requires that 50 per cent of foreign currency payments for goods be remitted to it for exchange into patacas.

The existing foreign exchange and money markets are shallow and generally dependent on Hong Kong's markets. Bankers complain that credit risks are hard to ascertain because many exporters do not keep up-to-date balance sheets.

On top of those factors, credit demand in Macao slumped last year, pushing down the financial sector's 1984 growth rate to 4.5 per cent from 11.9 per cent in 1983.

For these reasons, bankers have welcomed the IEM's plans for reforming the local banking industry. "The IEM is very aggressive in promoting Macao as a new banking centre," says Mr Thomas K. C. Tsang, Citibank's branch manager in Macao "but there is a lot of work to do yet."

Basic indicators

(in patacas)	1981	1984
Total banking assets	12	28
Foreign exchange assets	6	15.4
Foreign exchange liabilities	4	12
Domestic credit	3.4	6.4
Money supply (M2)	4.6	8.3

To lure banks to Macao, the IEM has said it will ask the territory's Government to trim or eliminate stamp duties on banking-related businesses. At present, a value-based stamp tax of 1 per cent applies to foreign deposits.

The IEM also wants to guarantee that taxes on banks would not exceed the territory's maximum corporate tax of 15 per cent, which is already 3.5 per cent less than Hong Kong's maximum.

The IEM has said that offshore banks would be subject to fewer regulatory conditions than banks in Hong Kong. Reporting requirements, although they have not been firmly determined, would be laxer, and secrecy of bank-client matters would be mandated, to encourage investors to place money with Macao-based banks.

The IEM plans to propose issuing three types of banking licences—commercial, development and offshore.

Commercial banks would be entitled to full branch opera-

tions, including retail business. Conventional requirements such as paid-up capital and maintenance of reserve funds would apply. An IEM official says he thinks that few commercial bank licences will be granted because of the abundance of commercial banks already in Macao.

● To avoid further crowding in the domestic banking industry, the IEM will permit development banks to grant only medium- and long-term loans although they will be allowed to participate fully in interbank markets. The size of deposit development banks will be allowed to accept also will be limited.

The IEM hopes that development banks will concentrate on Macao's growing trade with China and especially with the Zhuhai, special economic zone adjacent to Macao.

● Offshore banks will be limited to wholesale foreign exchange and banking activities, the IEM said last November's conference. It wants the offshore banks to develop a fully-fledged inter bank foreign exchange market using Hong Kong's market as a base. The IEM also wants offshore banks to promote money market activities, like Certificates of Deposit issues.

Derailed

Last autumn, the IEM said that it hoped to submit its proposals for an offshore banking industry to the territory's legislative assembly by the start of 1985. In December, however, its plans were temporarily derailed.

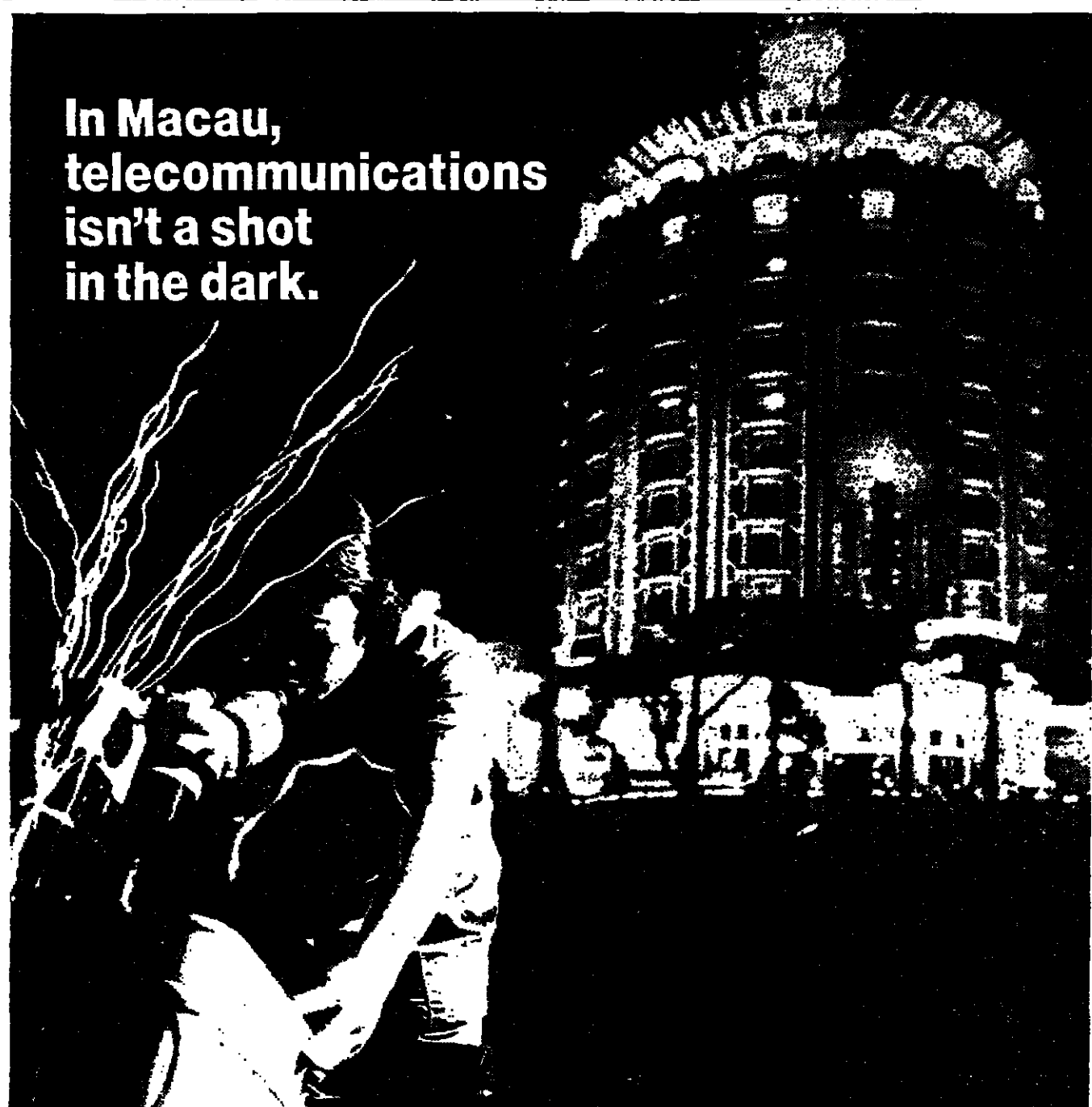
While the IEM was touting plans for an advanced offshore banking centre, a local money-changer collapsed, prompting an investigation that touched the monetary authority itself.

The money-changer, Deak and Co (Macao) Ltd., was an affiliate of the troubled Deak Perera Group of the U.S., Deak and Co (Macao) shut down on December 10, after IEM officials disclosed that its parent company in Hong Kong, Deak Perera Far East, improperly had been accepting deposits on behalf of Deak and Co (Macao).

Hundreds of depositors, most of them from Hong Kong, said that they had placed a total of more than U.S.\$25m with Deak and Co (Macao), and were able to retrieve none of it. The IEM said that no records of the deposits were kept in Macao and that it knew nothing of reports that Deak-Perera Far East had accepted deposits on behalf of Deak and Co (Macao).

Although the Deak affair hindered plans for creating an offshore banking centre, the IEM now hopes to complete its proposals for banking reforms by early April and to submit them to the territory's legislative assembly and Governor shortly thereafter. Meanwhile, bankers remain optimistic that the idea of Macao as a banking centre will catch on.

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MACAO 3

Trade balance in Peking's favour

Business links with China

TERESA MA

FOR OVER 300 years, Macao was the principal broker and entrepot for China's foreign trade. Established as an outpost for Portuguese missionaries in the middle of the 16th century, Macao, through the traffic in Chinese silks, gold, tea and spices brought great affluence to the territory.

Then misfortunes hit. Macao's anchorages silted up, while internal strife and the political decline of Portugal in Europe brought an end to its predominance in China's foreign trade.

Trade relations between Macao and China never recovered their former colour and scale. In value terms, bilateral trade accounts for just 15.8 per cent of Macao's total foreign trade. Re-exports of Chinese goods through Macao

in 1984 plunged from 8.9m patacas (\$534,670) to less than 650,000 patacas.

In contrast, and reflecting rapid liberalisation of the Chinese economy, the import of foreign goods destined for eventual sale in China quadrupled to a little over 11m patacas. Official statistics show that direct two-way trade has been growing at 20 per cent a year for the past two years.

The trade balance is overwhelmingly in China's favour with Macao importing 1.79m patacas worth of goods against exports of only 378m patacas.

Food

Much of what Macao buys from China is food — live animals, vegetables, rice and even wine. These accounted for about 354m patacas last year, about 20 per cent of total imports. Paradoxically, food imports actually fell in 1984, in large part because of the growing traffic of day-trippers into the mainland.

Many visitors shop at free

markets recently set up by Chinese peasants. Needless to say, food items are markedly cheaper in China than they are in Macao. Apart from food, China provides Macao with vital supplies like water, and since last year, electricity.

Other significant imports are textiles such as silk, wool and cotton fabrics, which in 1984 amounted to 943m patacas, and construction materials such as sand and stones valued at 181m patacas.

Textile imports surged by 44 per cent over the year, reflecting a surge in exports from Macao to the U.S., but imports of mineral products and other materials used in the construction industry slipped significantly.

Government officials attribute the decline to stagnation in the property sector, which has over the past two years been affected by Hong Kong's depressed property market. Since September, when Britain and China reached agreement on the future of Hong Kong handing sovereignty back to China in 1997, Macao's property market is understood

to have begun to move forward, suggesting that linked imports from China may have begun to recover.

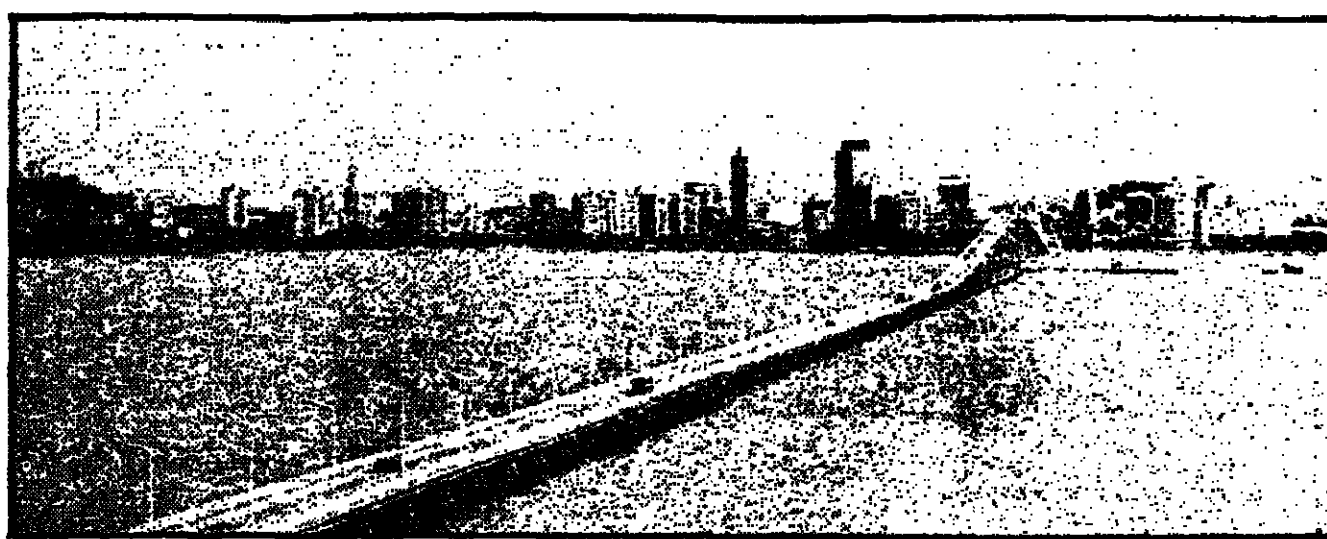
Macao's exports to China may be small in money terms, but they have been growing rapidly — by 35 per cent in 1983 and 78 per cent in 1984. Textiles accounted for the lion's share of exports, about 180m patacas.

Low base

From an admittedly low base, the fastest growth has been in the export of electronic goods, which have surged 20 fold, and electrical machinery, which has quadrupled. Mineral exports, mostly accounted for by cement, rose by 580 per cent.

With a Sino-Macanesse joint venture now being set up in the electronics sector to sell computer-related products to China, this export trend is likely to continue through 1985 and 1986.

According to Alberto Soares, deputy director of the census and statistics department, cassette tapes at present account for the majority of "electronic" goods imported by China.



The Macao skyline seen from the hump-backed bridge which links the island of Taipa to Macao

Regional airport planned

Infrastructure

TERESA MA

THE ADMINISTRATION of Governor Rear Admiral Almeida e Costa has its vocal body of detractors. Regardless of the criticism, he is likely to be remembered as the Governor who at last got to grips with Macao's inadequate infrastructure.

As part of a policy of making the territory less dependent on Hong Kong, Macao's telephone network has been modernised, and linked directly to the outside world. Electricity supplies are now sufficient for industry to evolve rapidly.

Plans for a container terminal and deep water port are being given the highest political priority. So too are plans for an international airport — though only the most committed optimists remain convinced that it will ever be built.

Paradoxically, this "independent" development programme is taking shape at a time of increasing pressure to integrate the economic development of the Pearl River estuary area. As the mainland Chinese authorities remain committed to "opening up to the outside world," so the triangular zone from Macao north-east to Guangzhou (Canton) and south-east to Hong Kong will meld into a single major industrial region.

Plans aimed at meeting the infrastructural needs of one area, whether it is Macao, Hong Kong, Shenzhen or Zhuhai, without regard for the needs of

the wider area, are becoming rapidly less realistic.

Macao's "independent" development programme, nevertheless, aims to provide a proper infrastructure for the territory to build up its own direct links with the outside world. Over time, it has come to irk the Portuguese administration that shipping and telecommunications — critically important in this export-oriented economy — have to be handled through Hong Kong.

As such, some plans have an emotional rather than an economic logic, though this might not prevent their being implemented.

Direct dialling

Under a concessionary agreement with the Macao Government signed in 1981, Cable and Wireless of the UK is now providing an international direct-dialling telephone service for the system's 27,500 subscribers.

The new operating company, Companhia Telecomunicacoes de Macao (Telemac), is 75 per cent owned by Cable and Wireless, with the remaining stake held by Radio Marconi of Portugal and CIT, Macao's posts and telecommunications authority. It has a 20-year exclusive franchise for domestic and international telecommunications.

Cable and Wireless estimate that total investment will amount to almost £100m, with half of this to be spent in the first five years of operation. A new digital exchange has been commissioned to replace Macao's 50-year-old system. Last year, a U.S.\$2m satellite earth station went into operations, linking

Macao with the UK, Portugal and Japan.

Nearly half of the households in Macao now have telephones, and the number of subscribers is expected to reach 40,000 by the end of 1985, according to Mr Richard Histed, managing director of Telemac.

Plans to improve shipping are running well behind the show-piece telecommunications system. The Government wants to build a deep water port at Ka-Ho on the territory's southernmost island of Coloane. It expects to award a contract for the first phase of the port before the end of April, and is negotiating with two French companies and a Greek-led consortium.

The main feature of phase one is a container wharf. At present, the only container facility in Macao is a makeshift one operated by the Chinese-owned Nam Kwong trading group. Most exports have to be shifted by barge to Hong Kong where they are put into containers before being re-exported.

The new container wharf will cost about 100m patacas (\$14m). Local waters are shallow, and major dredging work will absorb much of the cost. Construction is expected to begin by the end of this year.

The scheme may put Macao in direct competition with Zhuhai, the neighbouring special economic zone in mainland China, which also has plans for a deep-water port. It is not known how China views such competition. A substantial port in Zhuhai might jeopardise the profitability of the Ka-Ho facility, and provides one of the reasons why prospective contractors have been pressing for a monopoly

of container traffic out of Macao. The Government has ruled out any monopoly, but has hinted that it will provide incentives for exporters to use the new facility.

Macao's plans to build an international airport have been scuttled by opposition from China, which has its own dreams of an airport in Zhuhai. Macao needed Chinese support to reclaim land in Chinese waters, and would have needed Chinese approval to fly into Chinese airspace.

The outcome is that China and Macao have agreed to look into the possibility of jointly financing a regional airport to be located in Zhuhai. Macao officials say there are problems on how China will negotiate air traffic rights. Financing difficulties may also aggravate delays.

The present Macao administration has often been criticised for its expensive programme of infrastructural investment. This has had the effect of tripling public sector spending since Governor Almeida e Costa took office in 1981.

Infrastructure investment — which has included roads that go nowhere — has not been matched by progress in welfare services, housing, hospitals and education, critics say.

Dr Amílcar Martins, Macao's Secretary for Public Works, rebuts this while at the same time predicting that greater emphasis will in future be put on social spending. "Most of what we have been doing has to be considered for its long-term benefits. Some people, thinking only of short-term issues, find it difficult to understand this type of development approach."

Profile of the group representing China's foreign trade

Programme of decentralisation leads to reorganisation

Nam Kwong

TERESA MA

ONCE UPON a time, it was Chinese compradors who initiated and closed deals between Chinese suppliers and foreign buyers established in Macao. In their place nowadays are Chinese cadres who are sometimes better versed in political theory than in the rules of international trade.

China's foreign trade representative in Macao is the Nam Kwong trading group, established shortly after 1949. Over the past three decades, during which time direct trade with China was the prerogative of a handful of privileged foreigners, Nam Kwong had a monopoly of the Macao-China trade.

This monopoly has been

eroded as today's Peking regime favours decentralisation of the country's economic structure. It has authorised provincial and municipal governments to set up their own foreign trade representative offices to conduct direct trade with foreigners.

One to emerge recently is Nam Yuet, the trading arm of Guangdong's provincial government. The Zhuhai special economic zone has recently established its own local joint venture, called Zhuhai.

Important

It is impossible to determine whether the erosion of Nam Kwong's monopoly has, at the same time, eroded its business and trading profits. There is no doubt, however, that Nam Kwong's second, and perhaps more important, function as Peking's political representative has remained extremely strong.

Nam Kwong characteristically does not make a show of extending its political clout, but its importance has been glimpsed when it has acted as intermediary in recent rows between the Governor, Rear Admiral Vasco de Almeida e Costa, and local Macanesse political groups.

As part of Peking's decentralisation programme, Nam Kwong has reorganised its departments into subsidiary companies. In February (this year), its textile department became Nam Kwong Textile Co. Apart from subsidiaries which specialise in particular commodities, Nam Kwong has a cement company established in 1980 with 5m patacas (\$525,210) in a joint venture with Macao businessmen.

Nam Kwong Arts and Crafts, which has a registered capital of 500,000 patacas, opened in July last year. It operates a department store as well as handling imports and exports.

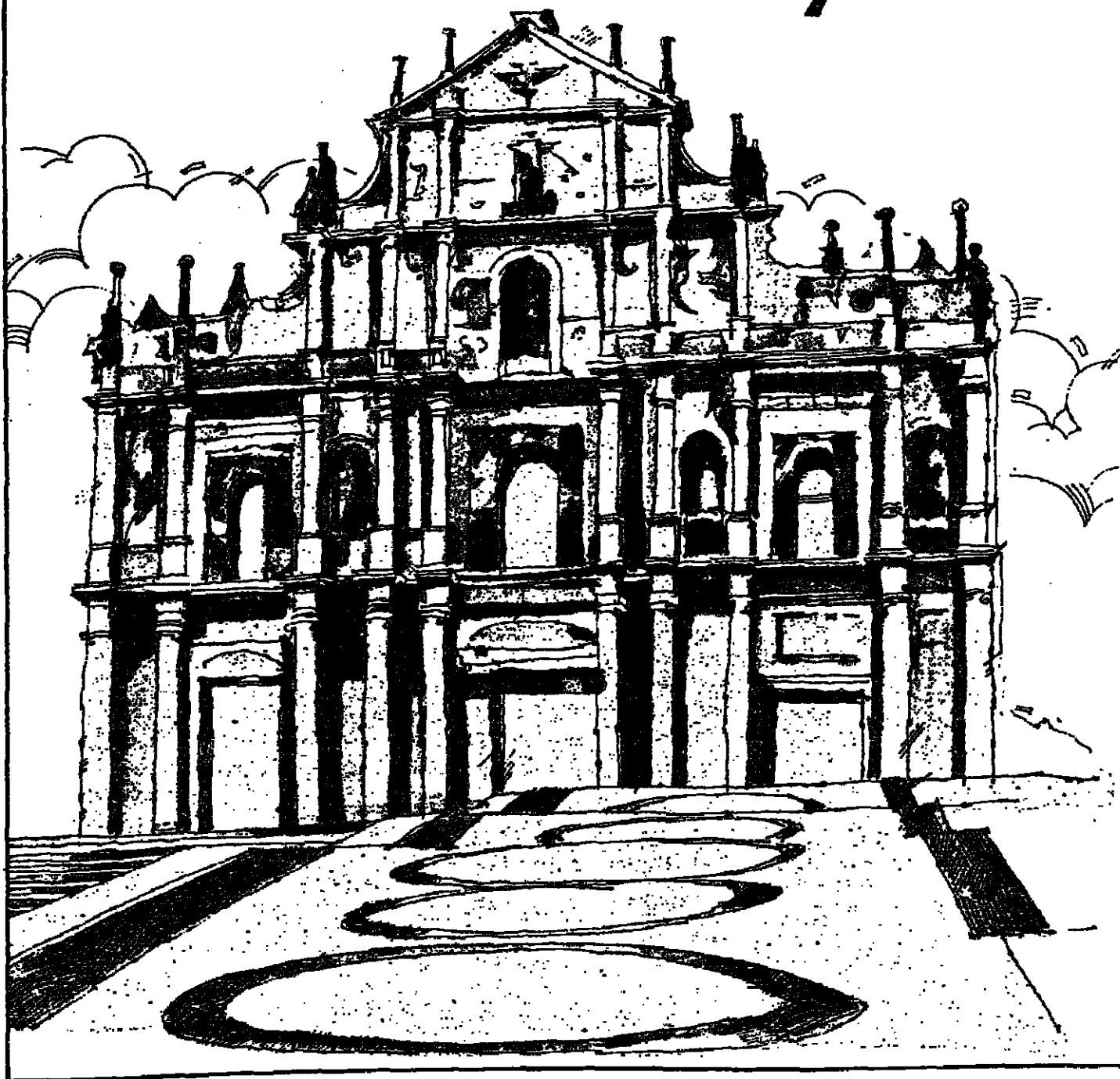
Nam Kwong's other major activities include a land reclamation project in Area Freta, on the north-east coast of Macao, and a port development project in Macao's inner harbour. The port will have a container wharf designed to handle up to 10,000 containers a year.

Warehouse

Nam Kwong is also reported to have invested in the renovation of a drinks factory in Peking, and in a joint venture with the Zhuhai Government.

Guangdong province's local trade representative, Nam Yuet, was set up in 1981 and operates its own warehouse in the inner harbour. It acts as representative of the three special economic zones in Guangdong province — nearby Zhuhai, Shenzhen near Hong Kong, and Shantou in the north-east of the province close to Fujian and as the provincial tourism agency.

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MACAO 4

Deng seeks greater industrial growth

Zhuhai
TERESA MA

IT WAS no accident that the Chinese Government sited one of its four special economic zones in the sleepy fishing village of Zhuhai, just across the land border from Macao. In this early stage of its evolution, it will lean heavily on the resources that Macao—and more distant Hong Kong—have to offer.

This is unlikely to remain the case for ever, and it is becoming increasingly important to view China's development hand-in-hand with that of Macao. Perhaps, not surprisingly, much of the stimulus for growth has come from the more powerful economy of Hong Kong. But at the same time, Macao's business links into Zhuhai are playing an important part in its development. As a result, it is, today, China's second largest economic zone after Shenzhen, near Hong Kong.

The zone is a 15 sq km strip of land in the south of Zhuhai city proper. In 1983, its borders were enlarged from the initial 7 sq km and may be expanded again soon. About 12,000 people live in the zone—just under 9 per

cent of the city's total population of 138,000.

Zhuhai's contacts with the outside world would start either at its land border with Macao, or in the tiny Jiaohou harbour. The harbour's round-shaped ferry terminal building serves as a landmark, the first Western-style structure in town. Nowadays, its most striking structure is a ferris wheel—an old model imported from Hong Kong which makes an odd picture against Zhuhai's dark granite hills.

First aim

The first aim in developing Zhuhai has been to improve communications between it and the outside world. Direct hydrofoil services run several times a day from Hong Kong and Shekou, an industrial district at the western end of nearby Shenzhen. Zhuhai also boasts a heliport which operates occasional passenger flights to the provincial capital of Guangzhou (Canton), and services flights to oil rigs drilling in the South China Sea.

It plans to build an international airport in collaboration with the Portuguese authorities in Macao—a rare example of government co-operation on both sides of the border acknowledging that there is much to be said for co-operation in meeting shared infrastructural needs.

A multi-million dollar "super-highway" may one day reach Zhuhai from Guangzhou. At present Mr Gordon Wu, a Hong Kong property developer, in a joint venture with Kanematsu-Goshu of Japan and the statutory Chinese partner, has firm plans for building the road from Shenzhen to Guangzhou—but just when this will be pressed on to Zhuhai is at present anyone's guess.

The Zhuhai Government says it expects to spend some U.S.\$250m this year on improving the zone's infrastructure—three times the budget for 1984. Better power, water and telecommunications facilities are all urgently needed.

Macao is investing heavily in identical areas, but the two governments have failed to seek or find common ground by which they can share some costs, or devise projects which more efficiently meet shared needs.

A site has been chosen in Zhuhai for a 125 MW power station and a gas plant, according to government officials. At present, the zone gets its electricity from the hard-pressed Guangdong provincial network.

Direct-dialling to Macao, Hong Kong and Guangzhou will be possible as soon as an automatic switching telephone system has been installed. An estimated 30,000

new telephones will go into service this year.

When Deng Xiaoping, China's national leader, visited Zhuhai in January 1984, he is understood to have observed that too much stress was being given to promoting tourism at the expense of industrial development.

Tourism

Recently completed resort hotel and leisure complexes accounted for a significant share of the record 490,000 visitors in 1984—most of them arriving from Macao. Tourism earnings doubled during the year.

Deng's comments sent Zhuhai's planners back to their drawing boards. Industrial output has doubled since the zone was established four years ago, reaching an estimated Yuan 300m (\$39.6m) last year. Although official statistics show industrial and transport projects accounting for 71 per cent of foreign capital invested between 1979 and 1983, a substantial proportion represents improvement in the road between Zhuhai and Guangzhou.

The amount of committed foreign investment rose threefold in 1984, according to Mayor Liang Guangda. The highest investors are Chinese entrepreneurs from Macao and Hong Kong.

Western businessmen have complained that Zhuhai off-

icials give preferential treatment to overseas Chinese investors. They claim that Western companies could bring more substantial capital funds and technology into the zone.

Zhuhai's industrial development will centre on three tracts of land set aside as industrial parks using foreign capital. The first, Nanshan district, is being developed by the Zhuhai Special Economic Zone Development Company, the Government's own company. Its 12 slated factory buildings should be ready for occupation later this year.

The Xiawan district, in the north-west of Zhuhai, is being developed in conjunction with the Gladstone Group of Hong Kong (holding a 49 per cent stake) and the China Nanhai Oil Joint Services Corporation (with 20 per cent).

Investments amounting to U.S.\$465m have been planned, which include a deep-water wharf for supply vessels servicing foreign oil companies exploring offshore, and a commercial-cum-residential complex for the staff of these companies. Further investment very much depends on whether and where oil is found in the South China Sea.

Five projects are under negotiation in Xiawan, ranging from the manufacture of ceramic tiles, glass and sanitary ware to insulation materials and gypsum products. These will exploit

Zhuhai's high-grade quartz sand and ceramic clay—and China's limitless need for building materials.

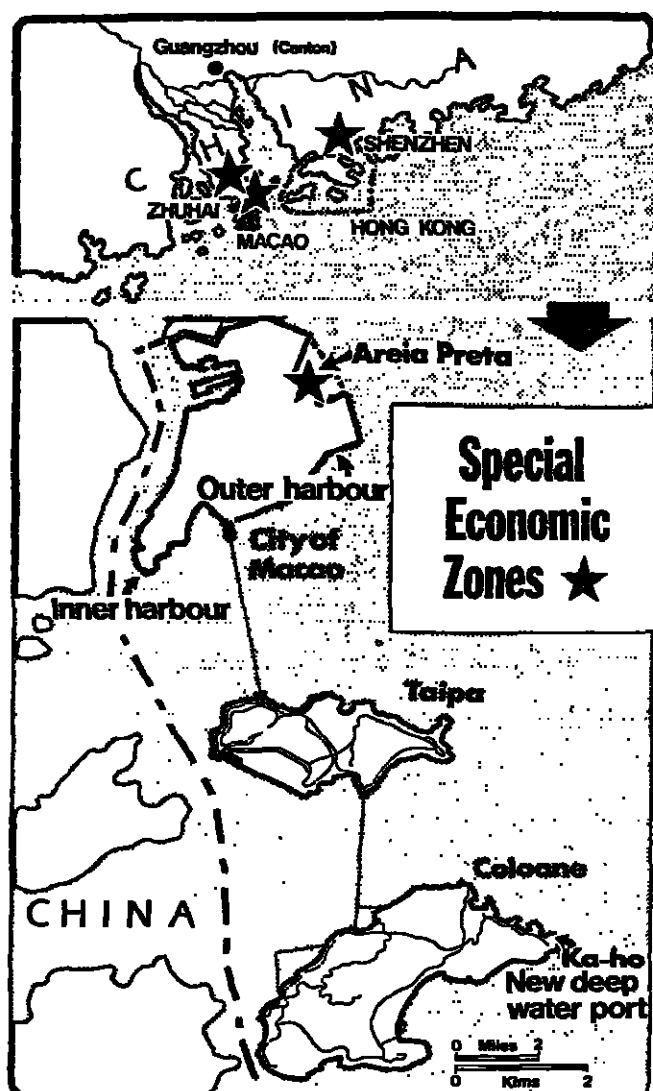
The third industrial district, the Beifang Industrial Estate, has been assigned to Everbright Industrial Company, a Hong Kong-based company financed by Peking. Everbright is aiming to attract high technology and light industries.

Boom town

Morrison-Knudsen International, an American engineering consultant, has been hired to prepare a feasibility report on the site, with financial backing from the U.S. Government's trade and development program.

The discovery of oil in the Pearl River basin could turn Zhuhai into a boom town. But in the meantime, the administration is mindful that the territory should also succeed as a commercial port, fed by a healthy flow of manufactures from its industrial parks.

These hopes may yet be frustrated, however, since foreign investors appear keener to sell to the Chinese market than to export from it. A second obstacle is the shortage of convertible currency, which is inhibiting the import of urgently needed machinery, and hindering the repatriation of profits by foreign investors.



The home of colourful festivals

Visitors' guide

MAUREN AUNG THWIN

Tourist guidebooks offer visitors reams of information on Macao. This, however, is a subjective guide, providing what the normal tourist publications may not include:

Eating out

With such wide variety in nearby Hong Kong, it is probably best to ignore Chinese food—except for Dim Sum (assorted Chinese dumplings) at the grand old Loc Koc tea-house on Rua de Outubro (around the corner from the floating casino).

Portuguese: For upmarket dining in a romantic atmosphere, try the Hyatt's O Pousado, the Fortaleza at the Pousada de Sao Tiago or the Excelsior's grill. For more informal fare, Ricardo's (formerly Saludes) on Coloane Island if you like village cuisine. The home-cooking is unbeatable at Calçada do Gamboa 3, if you can find the unnamed and unlicensed one-room restaurant near St Joseph's Seminary.

Miscellaneous: The shrimp and noodle soup (lacassa) or chicken with tumeric, wine and ginger (galinha chao chao parida) is excellent at A Cozinha, on the same level as the park and shop supermarket next to the Presidente Hotel. The pigeon is a speciality at Macao's oldest European restaurant, Fat Sui Lau in the former red-light district of Macao.

For more distant fare, ask anyone on Three Lamp Square to point out the Burmese noodle shops that sell "kaukswe," "mohinga," or

"see-jet." Mr Liem, at his little Nussantara restaurant on the Ave. do Conselheiro Ferreira de Almeida will serve you delicious Indonesian beef rendang (and also take out small facial moles for HK\$10).

Portuguese wines: A real bargain, but try to resist Mateus, an expensive but delicious Portuguese wine (and also take out small facial moles for HK\$10).

Sightseeing

Anyone who takes a guided group tour deserves what they get. Buy maps (available now in five languages) and get advice on walking tours from a tourist office and explore Macao on foot, by bicycle (rentals from the Hyatt and Excelsior) or at least by pedicab.

For scouting around Coloane and Taipa islands hire a self-drive moped (a Portuguese-made quasi-jeep) from Macao Mokes, near the ferry terminal. After seeing the usual tourist sites on Macao, wander around the city's numerous cemeteries, especially the old Protestant cemetery where Lord Henry John Spencer Churchill is buried, along with the most famous China-coast painter, George Chinnery. Next to the cemetery is the Luis de Camoes Museum, filled with old Macanese furniture, Chinese ceramics and court costumes, sketches by Chinnery, and quite empty of people.

For the best panoramic view of the city climb Guia Hill, at dawn if you want to see people doing their Tai Chi exercises and airing their pet birds. Macao is blessed with a handful of "resident" saints—mostly Catholic fathers—who do good works and are very knowledgeable about the territory.

If you see a likely prospect, tell him you want to donate some money to his favourite cause and you'll probably get to see a rare gem, such as the newly-restored 300-year-old painting of "The Martyrs of Nagasaki" at St Joseph's Seminary.

Probably not for children, the famous "Crazy Paris Show" is an entertaining striptease act featuring blonde European girls. But the largely Chinese audience hates to clap so you can wear yourself out making up for them.

Keeping healthy

The lovely Macao-Taipa bridge is a perfect round-trip 3.7 mile jog (the Macao marathon in October is in its fourth year). The Hyatt Hotel's health club has classes in water exercises and aerobics plus the usual gym and sauna. The Excelsior's health club has squash and tennis courts. The Royal Hotel's swimming pool is the largest of the lot (and is heated).

Shopping

Items on which Hong Kong is raising taxes are cheaper in Macao—tobacco, liquor, wines and cosmetics—but the selection will be narrower. Try browsing the pawnshops, filled with goodies belonging to compulsive gamblers who may have left their camera or heirloom with a nonchalant pawnbroker needing space for new clients.

Where to stay

At the moment, Macao is a buyer's market. If money is no object and you don't have to get anywhere quickly, relax in the intimacy of the Pousada Sao Tiago, a highly original and award-winning inn built at the foot of Macao's old "Barra" fortress.

Otherwise the Excelsior probably comes closest to a deluxe hotel: it's also well located and has an excellent coffee shop. The Hyatt on Taipa Island has its Regency Club, an executive

floor tailored to the business traveller.

The remote Pousada de Coloane with its lovely dining terrace overlooking a quiet bay, has a good Portuguese restaurant and wine cellar, but the accommodation is quite modest, and it is as yet uncertain what its view will be like when a resort complex at the opposite end of the bay is finished.

Festivals

Check to see if your visit coincides with any of Macao's colourful festivals. The procession of Our Lord of Fátima is a dramatic pre-Lent event: the Ching Ming festival in April is the Chinese version of All Souls' day, the A Ma Festival for the legendary goddess-name-sake of Macao is also in April.

The feast of Tam Kong, a fisher festival on Coloane Island, is in May as is the procession Our Lady of Fatima on Macao. The Dragon Boat Festival and paget are in June, soon followed by a secular celebration, the Macao Grand Prix, where formula 1 drivers race formula III cars in a sometimes thrilling race.

General Don'ts

Don't let a taxi driver talk you into anything above the official surcharge of HK\$5 to Taipa and HK\$10 to Coloane. There is no return or night surcharge.

Avoid the jetties and ferries (both ways) at 9 am and 5 pm. Don't go to Macao on a weekend if you want the place to yourself.



Chinese dancers show their skills

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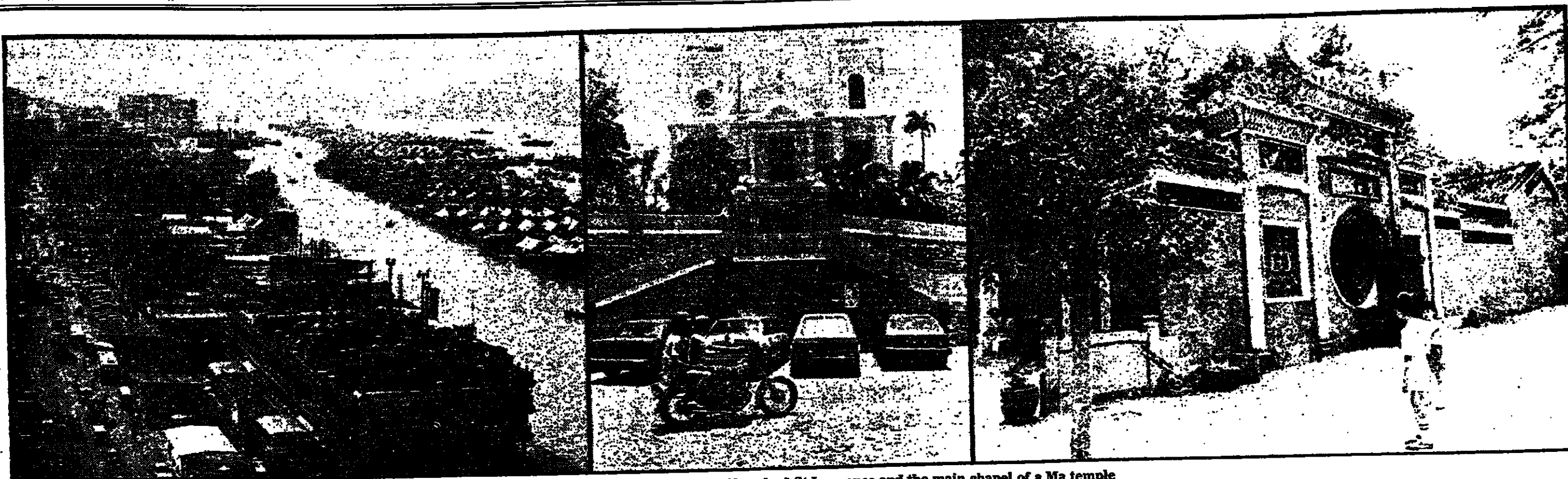
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MACAO 5



Left to right: Macao's inner harbour, the Church of St Lawrence and the main chapel of a Ma temple

Gambling casinos top the list of attractions

Tourism

MAUREEN AUNG THWIN

MACAO HAS decided, belatedly, that international tourism means big money. The trick now is to convince non-gambling tourists that the Portuguese enclave can sustain their interest. Over 75 per cent of Macao's visitors are casino-bound day-trippers, including the night owls who catch a literal forty winks on the last jetfoil back to Hong Kong at 1.30 am, a 50-minute journey.

"Macao's attitude to tourism was rather negative until recently," concedes a marketing manager of a luxury hotel chain. In a burst of hard sell, it is starting to court tour operators from Tokyo to Toronto and not rely solely on unsympathetic Hong Kong brokers.

Visas for most travellers are no longer required, over 1,000 first-class hotel rooms are available, historical sites are being

spruced up and entrepreneurs are dreaming up diversions for non-gamblers.

Travel agents win medals for hiring the most overnight guests, who, on Sundays, are treated to free outdoor folk dances and guides dressed as 17th century Portuguese soldiers.

Gambling still provides Macao with its main financial base however—as it has since the mid-1800s when an innovative governor introduced the lucrative revenue source. Definitely no Monte Carlo, Macao has difficulty reconciling its wily and somewhat seedy saloon atmosphere with up-market cultural tours.

Rich history

Macao's rich history has plenty to offer a visitor. Four centuries of interplay between eastern and western races and religions has produced a charmingly schizophrenic city. The enclave's well-documented reputation as a refuge haven has created various ethnic corners. Overseas Chinese who fled

their adopted south-east Asian home can buy authentic Burmese noodles or Indonesian curries. Even Zoroastrians from India can honour their dead at Macao's Parsi cemetery.

For centuries Macao has served as a convenient base for western traders and missionaries. For the middle kingdom, Macao was a necessary outpost to deal with barbarians. Today the Macao-China border gate is once again a popular entry-way—for barbarians and non-barbarians alike.

Junkies

Keeping track of tourists passing through the gateway can be tricky. Those coming into the territory from China are officially ignored, to avoid counting re-entering tourists. It is difficult consequently to say how many mainlanders visit Macao.

"They're not real tourists anyway," says an observer, "they don't spend any money." It's an open secret that Communist Chinese regularly travel to Macao and Hong Kong on

junkies sponsored by companies sweetening business negotiations with the motherland.

Over four million people arrived in Macao in 1984, up 8 per cent from the previous year. Most came from Hong Kong, and the majority of these were gamblers and day-tourists who returned to Hong Kong by nightfall.

Nevertheless, Macao last year managed to entice 1m people to sleep at least one night in the territory, which put hotel occupancy rates near 60 per cent. Since most visitors come at the weekend, midweek discounts run as high as 40 per cent in some deluxe hotels.

The city's most conspicuous hotel-cum-gambling den, the gaudy Lisboa, had the highest occupancy rate last year (around 85 per cent). It recently opened part of a new wing with 175 guest rooms, a discotheque and a popular striptease act, "the crazy Paris show."

Macao's new hotels have turned what once was a chronic room shortage into a guest

shortage. The Hyatt Regency on Taipa Island, the midtown Royal Hotel and the Macao Excelsior—soon to be renamed the Macao Oriental—boast excellent restaurants, gymnasia, art live bands, but share problems of a tourism market dominated by gamblers.

Fatigued experience has prompted managements to provide only VIPs and guests with credit cards or cash deposit with a stocked mini-bar in their rooms. Long-distance phone calls are similarly limited. Everything from furniture to bed sheets has disappeared into the luggage of visitors on prepaid tours.

Infrastructure

The fast, smooth ride on the world's largest jetfoil fleet has brought Macao psychologically closer, but arriving at its dingy terminal can jolt a first-time visitor. It will be even worse next year when the fleet takes off from a new ferry terminal in Hong Kong.

Upgrading the infrastructure is constrained by the number of

fingers in Macao's tourism pot. The Department of Tourism, its budget recently raised from HK\$80,000 (\$8,773) to HK\$2m, is in charge of generally promoting Macao. So is Sociedade de Turismo e Diversões de Macao (STD), the syndicate running the casinos.

In exchange for the gambling franchise—which will be renegotiated in 1991—STD has certain noblesse oblige. Other than donating to worthy causes, STD must keep Macao's inner and outer harbours silt-free, provide efficient and inexpensive cross-harbour transport, and pay for the global network of Macao tourist information bureaux.

The HK\$1.8bn new ferry terminal in Hong Kong is being built by a consortium headed by STD's managing director, Mr Stanley Ho. The structure will contain a moderate-class hotel, offices and expanded berths for the fleet, to which will be added two high-speed ferries.

When asked about a new terminal for Macao too, Mr Ho coyly replies that 1991—and the end of his obligations—is

not that far off. Macao's urban council is also involved in tourism, through its generous support of the city's under-visited Luis de Camoes museum.

"Macao lacks a community identity," says the curator, Macanese painter Antonio Conceicao Jr, who plans 28 exhibitions and related programmes this year alone to help "create a cultural front for Macao."

Contemporary Macao's 400,000 residents reflect largely Cantonese culture, but marketeers of Macao are discovering that Portuguese-ness sells too, as does Macanese—an imprecise term usually referring to the culture and people of 17th century Macao, then a blend of fairly "pure" Portuguese colonial and the mixed-blood influx from Portuguese Malacca, with its south-east Asian antecedents.

To make it more perplexing, evidence of Macao's past from both East and West keep cropping up. An archaeological survey is being considered, spurred on by recent discoveries of a 1609 tombstone and 16th-

century export-porcelain shards at demolition sites around the city.

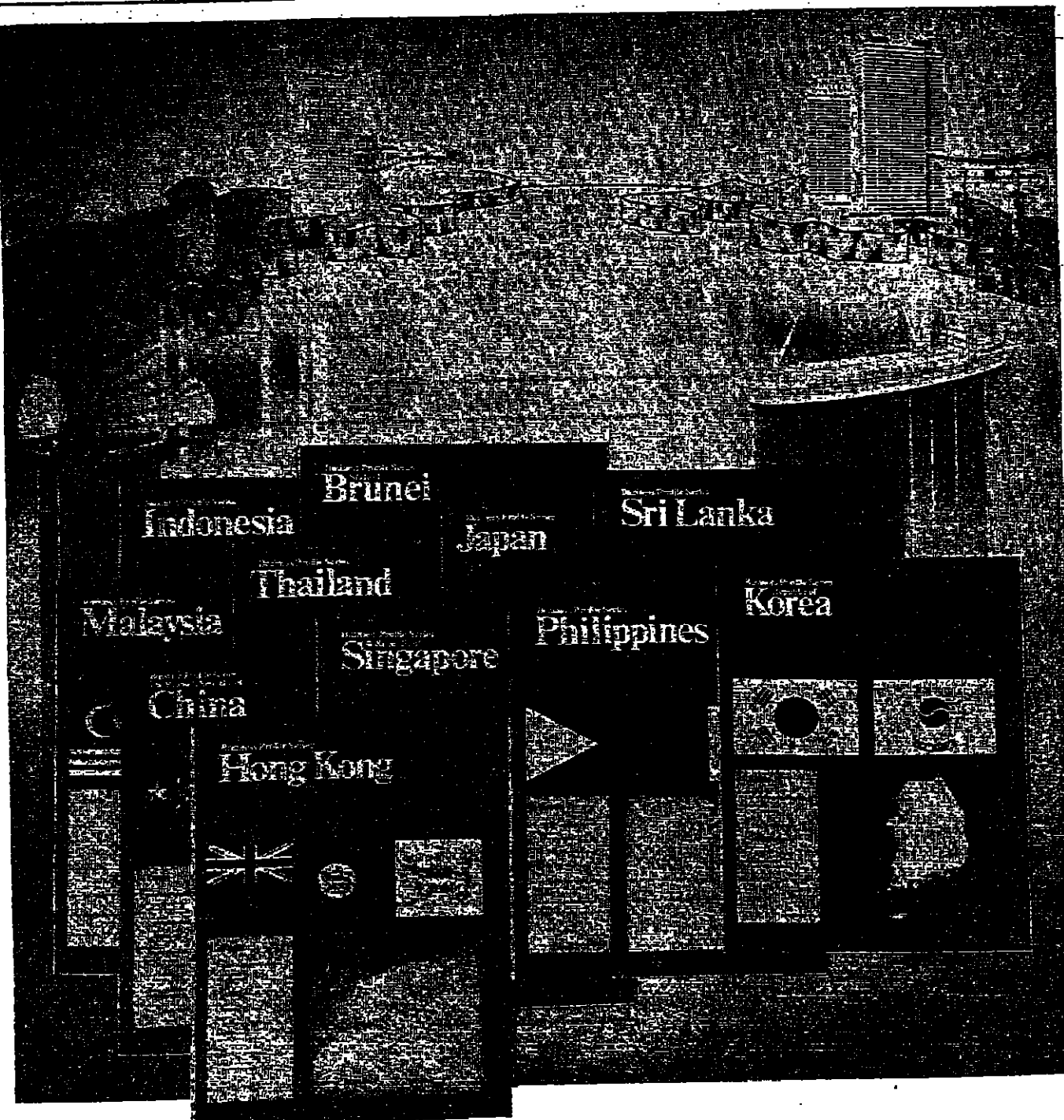
Monument

Material traces of a 5,000-year-old indigenous culture were excavated earlier this spring on nearby Coloane Island.

Perhaps not to be outdone by the past, Macao's administration commissioned Portuguese sculptress Dorita Castel-Branco to create a massive monument on a rock face overlooking the Taipa-Macao bridge.

"I think it's supposed to show Sino-Macanese achievements," says a prominent businessman who was coaxed into a HK\$1m donation for the grandiose project that has set tongues wagging all over Macao.

Macao's eclectic charms have undoubtedly been valued by neighbourhood expatriates in search of an inexpensive rest and recreation—but whether Macao can deliver the world-class services it is selling internationally still remains to be seen.



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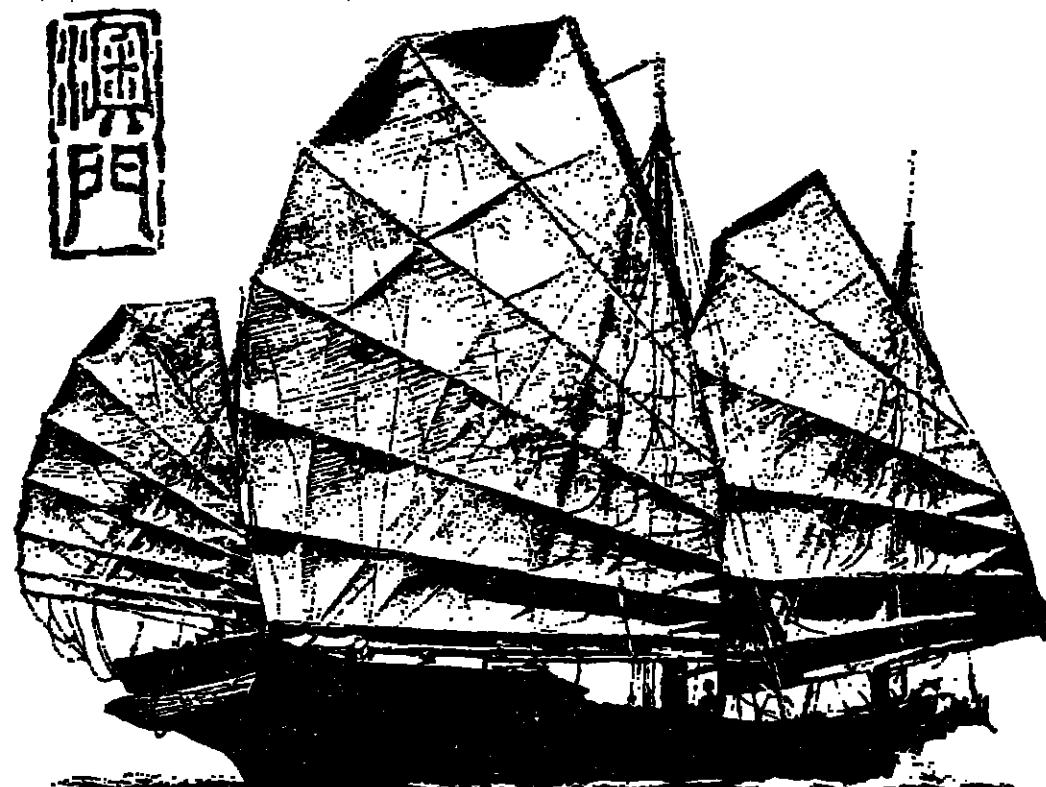
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UK COMPANY NEWS

Martin Dickson on Haden's battle with Trafalgar Drama facing a crisis addict

Mr Philip Ling, managing director of Haden, the mechanical and electrical engineering group, is a self-confessed "crisis addict." But the current corporate drama facing him is one he could well have done without.

Just seven months after joining Haden, the 33-year-old, youthful looking Mr Ling is trying to fight off a £37m takeover bid for the group from Trafalgar House, the industrial and services conglomerate with extensive construction and engineering interests.

The timing of Trafalgar's move is neat: Haden has been through a difficult two years, which have seen its profits plunge. Now, however, after winning an axe to some of its weakest subsidiaries, the group claims to be on the point of a substantial recovery.

"Trafalgar," argues Mr Ling, "is trying to knock us off before shareholders realise what a terrific business we've got going here."

But although Haden is a relative minnow when set alongside the predator chasing it, Trafalgar has a real fight on its hands: its all cash offer value each Haden share at 240p, a premium of 30 per cent over the price last December just before it began buying Haden shares.

However, ever since Trafalgar announced the bid, Haden's shares have remained well above the offer price, closing last night at 300p.

The market is signalling that if Trafalgar is to capture Haden it will have to raise its offer, which was accepted by just 0.08 per cent of shareholders, last Thursday.

The battle revolves essentially around two themes. The first is the value that should be placed on a post-nationalisation Haden under its new, optimistic-sounding leadership. The second is the commercial logic, or lack of it, involved in joining together the two companies.

Haden consists of three major divisions. ● Building, industrial and process engineering, whose main business is in the design and installation of air conditioning and fire protection systems for buildings. It is the joint leader in this business in the UK.

Last year this division accounted for £154m of the Haden group's turnover of £321m and £5.4m of the £7.4m of operating profits from its continuing businesses.

● Industrial finishing and mechanical handling, where subsidiaries Haden Dryers and, in the U.S., Haden Schweitzer, design, supply and install large scale paint shops, mainly for the motor industry. Last year this



Mr Philip Ling (left), managing director of Haden, and Sir Nigel Brookes, chairman of Trafalgar.



Haden Food Machinery, and growing problems with some of its continental offshoots, notably in France.

But over the past year—and particularly since Mr Ling's arrival in September—the group has been cutting back hard. While its continuing businesses produced an operating profit of £7.4m in 1984—£6m of it in the second half—£4.4m of losses from businesses now discontinued reduced overall pre-tax profits to just £3.5m, compared to £5.0m in 1983 and £8.5m in 1982.

The rationalisation programme also resulted in £5.6m extraordinary costing costs.

But the company maintains that with rationalisation behind it, and a history of more useful geographical diversification into Australia, and a record order book, its prospects are now excellent.

"We've closed the loss-makers, decentralised head office functions, making each company stand on its own feet, instituted a cost cutting programme and brought new management in in a number of places," says Mr Ling.

financial strength and established presence in the world's major contracting markets will enhance Haden's growth potential.

"In the international market there is a premium on size," says Trafalgar's chief executive, Mr Eric Parker. "A company with capital backing of £31m is almost a joke."

Trafalgar says that Haden's building, industrial and process engineering division, and the specialist engineering one, would be complementary to its existing mechanical and electrical engineering business. The combined group would offer a comprehensive building services capability to clients, while at the same time each operating company would market and develop its own particular products.

It adds that Trafalgar, with its extensive North Sea construction interest, would be able to help Haden establish a much greater presence in this area.

Both these strategic arguments are disputed by Haden, which argues that the key to the success of its building, industrial

and process engineering businesses has been their independence from large contractors and property developers.

It says that between 1980 and 1984 some 60 per cent of orders placed with its Haden Young subsidiary came from a small number of main contractors who are competitors to Trafalgar House. It would cease to be acceptable to many of its customers and would wither.

The thesis is rejected with a chuckle by Mr Parker at Trafalgar. "It's a load of absolute hooey," he says. "That's an argument heard a lot in the 1960s, but I haven't heard it for many years."

Critics, he adds, had said this would happen to Trollope and Co. Trafalgar's building and sub-contracting group, when this was acquired. But it did not suffer.

And while City analysts accept there may be some truth in the Haden argument, they suggest that Trafalgar is hardly likely to have ignored this issue when sizing-up its bid.

As for the North Sea, Haden says that it has kept a close watch on the possibilities there, and they just do not exist on the scale suggested by Trafalgar.

Furthermore, Mr Ling argues, Trafalgar has made its bid without any knowledge of our plans for Haden's important industrial finishing business.

Offer terms and logic apart, the fate of the Trafalgar bid depends to some extent on the faith City institutions are prepared to place in Mr Ling as the new broom at Haden.

An Oxford graduate in politics, philosophy and economics, he was recruited into industry by Mr Oliver Jessel (whose Jessel Securities empire ran into financial crisis) in the mid-1970s.

Mr Ling survived that, and as general manager of Johnson and Firth Brown he steered the Sheffield-based steel and engineering group through a painful series of rationalisation efforts in the late 1970s.

He eventually left two years ago for London and Midland Industrial, a holding company which bought a number of Johnson and Firth Brown subsidiaries.

Mr Ling was approached by Haden last year when the existing managing director reached retirement age and the company was looking for an outsider to bring fresh blood into the system.

"I'm an old campaigner," he says. "I can take this (takeover) in my stride."

But there's a degree of eagerness in the delivery of a remark, as well there might be with a giant like Trafalgar breathing down his neck.

All divisions aid enlarged LCA to £1.6m

ALL DIVISIONS of London and Continental Advertising Holdings performed well during 1984, says Mr John Goffar, group chairman, in announcing substantially increased pre-tax profits of £1.6m against a previous £578,000.

At the half year stage this poster and specialist advertising group achieved profits of £435,000 (£268,000). The full year result included a seven month contribution of £561,000 from London & Provincial Posters, acquired in June, when the group moved from the USM to a full listing.

In the light of the group's results, and the directors' satisfaction with current trading, an increase in the dividend from an adjusted 0.75p to 1.6p per share is recommended. At the time of the acquisition a 1.5p payment was forecast.

The chairman reports that upon the purchase of London & Provincial a review of its cost structure was undertaken which led to a major re-organisation of the group's poster interests. This was largely completed in the year under review, and the non-recurring costs of the exercise, amounting to £435,000, have been included as an extraordinary item.

He adds that there remains great scope for the continued development of the group's poster interests in line with the changing marketing patterns for that industry.

Turnover for the year totalled £16.43m, against £15.6m in 1983, including sales of £11.6m achieved by London & Provincial from June 1 to December 31, 1984.

The tax charge was higher at £745,000, compared with £288,000. After the extraordinary item, attributable profit emerged at £540,000 (£281,000).

● **comment** LCA has had an exciting year—obtaining a full listing in June and buying the much larger London and Provincial Posters from Reed International (Rear) (1984).

Now it challenges Mills and Allen for leadership in the outdoor advertising industry. The last seven months of 1984 were partly taken up with the re-organisation of L and P, the costs of which (mainly redundancy payments as the workforce was halved) are reflected in the £435,000 extraordinary deficit. A consolidation of the group's advertising operation will have its impact on this year's net profits but by a lesser amount.

This should be more than offset by a full year's contribution from L and P (with an expected margin of 10 per cent) plus an industry-wide real growth rate of 5 per cent. In the autumn the results of the nationwide industry-financed Site Grading Classification study are expected to be a major boon in marketing terms against prime competitors, television and radio. For 1985 pre-tax profits of £31m are seen by analysts, a prospect of 17 on 1984.

Wayne Kerr allotments

The offer for sale by Wayne Kerr of 1.65m ordinary shares at 130p per share attracted 6,896 applications in respect of a total of 57.7m shares (12.3 times the number of shares offered).

The figures include preferential applications on pink forms received from 32 employees in respect of a total of 41,000 ordinary shares. These applications will be allocated in full.

The allocation in respect of applications from the public will be: 200-1,000—weighted ballot for 200 shares; 1,200-2,000—weighted ballot for 300 shares; 2,500-4,500—weighted ballot for 400 shares; and 5,000 and over—approximately 9.5 per cent of the amount applied for. Dealings are expected to begin on April 15.

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President Entertainments profit advances to £0.87m

HAVING beaten its revised profit forecast for 1984, President Entertainments says overall bookings for the current year are running well ahead and it "promises to be an even more exciting year."

The group, which came to the USM last June, operates theatre restaurants based on traditional British Themes, in London and Orlando, Florida.

Mr Robert Earl, the chairman, says the demand for hotel rooms from North Americans visiting London has effectively extended the season to make the capital an all-year-round destination, a trend that he expects to continue.

From a turnover of £5.83m in 1984, the group has made a profit of £860,000 before tax. In the USM prospectus the directors had forecast a minimum £750,000, but revised this upwards to £825,000 at the end of January, when asking shareholders to subscribe £2.6m through a rights issue. The dividend is 0.1p net.

In the year the group made a profit of £229,000 on a turnover of £4.55m. These figures are pro-forma results of the group as now constituted, as adjusted for the payment made under a previous licence agreement with Hannover Grand Banqueting and after charging tax at a rate of 50 per cent on the pre-tax profits.

Mr Earl says the Talk of London is anticipated to substantially increase its contribution to group profits as "we have actively marketed it to our U.S. clients."

The medieval concept continues to be the most popular evening. The occupancy levels of the Beefeater in 1984, together with forward bookings for 1985, led to the conversion of the "pub" evening at Shakespeare Tavern, Blackfriars, into a Shakespeare's Feast in order to be able to offer 1,000 medieval seats per night.

In the U.S., the medieval evening at the Shakespeare in Orlando made a small contribution to profits, after the start-up losses incurred following the opening a year ago.

The company has signed a long lease with Orlando Central Park (a wholly owned subsidiary of Martin Marietta) for an entertainment complex that will open in November.

More developments are planned in Orlando and the chairman hopes to announce, in the near future, further progress with regards to expansion in the UK, for a group should have an effective daily capacity of some 2,000 seats in Orlando, thereby matching that currently available in London.

In the UK it has been decided to open Theme Banquets in the near future in several cities, and negotiations are currently in hand for sites. The company is also at an advanced stage of negotiations with several small groups of restaurants in pursuance of its indicated policy of operating restaurants in all sectors of the market.

Tax takes £406,000 (£312,000) to leave a profit of £454,000 at £463,000 (loss £83,000). Earnings are shown to be 4.53p. There is an extraordinary debit of £31,400 comprising cost of USM placing £5,200, and

irrecoverable amount associated with the closure of a joint venture in the U.S. of £28,200. Last time there was deferred tax of £38,400.

● **comment** If President was compared with an airline the most striking feature would be its ability to make money on a 13 per cent load factor and its low fuel bills. The rise in seating capacity utilisation to 30 per cent (some 300,000 customers) in 1984 has produced the threefold jump in margins. The selling of more of the remaining capacity is a marketing exercise, one of the group's strengths, although it is unclear how it might weather a significant change in the mix of incoming tourists. With £3m in the bank, including all the £2.6m netted from the recent two-for-five rights issue, the chairman is looking for some regional theme restaurant additions in the UK, for a group of three "popular" restaurants and a single prestigious eating house. In the U.S. the concentration remains on the post-Disneyland entertaining for the thousands who visit Orlando, Florida. By this time next year the company will have completed its five year record and will be looking for a full listing. For 1984 the market is looking for £11m pre-tax, a prospective multiple of around 15 x 85p (assuming a lower tax rate of 40 per cent is achieved). This year should also produce a far higher payout to shareholders, many of whom are now instituting year's cover being over 45, tions north of the border who may like to see income on the table other than just the capital gains potential.

order intake in 1984 and the order level at the start of the current year was up by 89 per cent.

The Terotech division has recently received a major export pipeline order for the ash and pulverised fuel lines for a new power station, and the prospects for 1985 are better for all UK operations and for the U.S.

Tax takes £588,000 (£776,000) to leave the 1984 net profit at £216,000 (£383,000). Last year, in addition, there was an extraordinary charge of £728,000.

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Better prospect for Greenbank

IN THE second half of 1984 the Greenbank Industrial Holdings group has made a profit of £11.6m, including sales of £11.6m achieved by London & Provincial from June 1 to December 31, 1984.

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Ex-Lands aided by operating turnaround

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UK COMPANY NEWS

MINING NEWS

Echo Bay set for further increase in gold production

BY KENNETH MARSTON, MINING EDITOR

CANADA'S Echo Bay Mines is in line for a further increase in its gold production this year after having raised output by 54 per cent to 181,534 oz in 1984 at its Lupin mine, 58 miles south of the Arctic Circle in the Northwest Territories.

This year Lupin, the third largest gold mine in Canada, is expected to lift output to 200,000 oz. In addition, Echo Bay should have about 60,000 oz as its share of the 50 per cent-owned Round Mountain open-pit gold mine in Nevada which was acquired from January 1 with the company's purchase of Copper Range.

Round Mountain rates as the third largest gold mine in the U.S. with reserves of more than 6.7m oz gold. Its operating costs last year equalled US\$251 per oz and the Echo Bay management feels that this cost level

can be reduced and also expects to make a further reduction in costs at Lupin, which equalled US\$198 per oz in 1984.

The directors point out in the annual report that while Echo Bay continues its exploration programme it also believes that advantage can be taken of low gold prices to acquire at low cost existing mines and those properties in advanced stages of exploration.

Last year Echo Bay lifted net earnings to C\$23.9m (£14.4m), or 84 cents per share, from C\$9m and modestly increased its dividend by 1 cent to 11 cents. The combination of increased production and reduced costs thus outweighed the effects of a fall in the average gold price to US\$360 per oz from US\$424 in the previous year. In the first six months of 1985 gold has averaged US\$302.

Low copper prices leave Atlas Mining in the red

LOW PRICES for copper have made their impact on 1984 results of Atlas Consolidated Mining and Development, the major copper-gold producer in the Philippines, reports Leo Gonzaga from Manila.

Atlas suffered a net loss for the year of Pesos 896.5m (£33.6m) compared with net income of Pesos 99.4m in 1983. On the other hand, Baguio

Gold Mining has more than doubled its 1984 earnings to Pesos 1.14m from Pesos \$30,000 without having produced a tonne of metallic products. The Philippine company's copper and gold facilities remain shut down owing to low metal prices.

Last year Baguio made money from its share in local crude oil production, fund placements in the money market and equity investments in other companies.

Gold Fields delay remains

The proposed reorganisation of Gold Fields of South Africa's coal interests through the merger of Clydesdale (Transvaal) Collieries and Apex Mines remains blocked by the South African supreme court, according to the latest annual statement from Mr A. M. D. Gnodde, Clydesdale's chairman.

The court plans to hear evidence from the parties as to whether the terms of the merger placed minority shareholders in Apex at a disadvantage as some of them claimed, but the hearing will not take place for some weeks owing to pressure on the court's time.

Wankie returns to dividend list

The Anglo-American Corporation group's big coal producer in Zimbabwe, Wankie Colliery, has returned to the dividend list after a year's absence with a payment of 5 cents (2.6p) for the year to February 28. A similar amount was paid for 1982-83.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interim: Perry Pickering, Albert Fisher, Smith Industries, H. Young, Finlay, Aurora, Yorkshire Metal Products, T. P. and J. H. Brime, British Dredging, Erib, Exarim International, S. W. Farmer, Fitch and Co. Design Consultants, S. Jerome, M. Y. Dart, Moine, Pearl Assurance, A. G. Stanley, Steel Burnell Jones.

FUTURE DATES

Interim: Close Brothers Apr 15
Newworth (J) Apr 16
Highland Distilleries Apr 15
Highland Electronics Apr 18

New Australia Invest. Trust Apr 23
St. George's Apr 16
Swinford Private Hospital Apr 16
Finlay Apr 18
Bentley Apr 25
Blue Circle Industries Apr 25
Cooper Industries Apr 23
Cory (Hercal) Apr 18
Crowther (John) Apr 12
Dixie Heel Apr 17
Ebar Industrial Apr 18
Finlay Packaging Apr 17
Fortnum and Mason Apr 22
Gould (Laurence) Apr 25
Gramspan Television Apr 18
Hartley Quarrenway Apr 28
Heater Apr 24
Laird (John) Apr 15
Northern Engineering Industries Apr 17
Richards (Leicester) Apr 28
Smalley Apr 18
Taylor Woodrow Apr 18
Tote Apr 17
W. W. W. Apr 10
Ward White Apr 18

You know Tootal. But do you know the names behind our names?

Over the past few months, you have read about some of the companies and brands that make up Tootal's wide ranging international business.

Tootal's success is being achieved by executives with outstanding track records at international level. Some of our people have made their reputations with companies such as I.T.T., ICI, Du Pont, Procter & Gamble, Berger/Hoechst and Jardine Matheson.

We'd like to introduce you to seven of these people. They report on development in their areas and how they are helping to make things happen worldwide for the Tootal Group.

These are only some of the people behind the brands and companies that add up to the strength of the Tootal Group.

Together they are ensuring a growing and profitable future for Tootal shareholders.



Each Director of Tootal Group plc (including those who have delegated detailed supervision of this advertisement) has taken all reasonable care to ensure that the facts stated and the opinions expressed herein are fair and accurate. Each of the Directors accepts responsibility accordingly.

Tootal Group

Our names add up to strength

C. K. Lo - Age 37.
Managing Director
Tootal Thread Hong Kong.

Joined 1970. Previously Head of Textiles Department Jardine Matheson. In 1978 he started the negotiations in China for Tootal which led to the initial spinning contract in 1979 and the recently signed joint venture.

'We are drawing about 200 tons of spun polyester yarn per month from China. This supplies Tootal Thread Hong Kong and SE Asia. When we have our own mill in Canton - we shall be able to supply Tootal Thread worldwide. To me the key factor during negotiations was the strength of the Tootal name. After all - why else would the Chinese authorities let us in?'



David Dry - Age 41.
Chief Executive
Lantor International.

Joined in 1984. Gained international marketing and management experience with ICI including a 2 year spell in Japan.

'The whole nonwovens business is immensely exciting. We're producing products for the high growth areas - Power, Telecommunications, Health Care, Transport and Construction. Lantor is already market leader on a wide geographic spread and we are confident of further high growth and high returns - worldwide.'



James Lawson - Age 37.
Managing Director
Consumer Products.

Joined 1984. Worked for 15 years in the Far East with Jardine Matheson.

'Our total turnover for handicraft products is in the £40 million region - when you consider that each item sells for around 50p, it represents a vast amount of product sales. We have identified the key markets as USA/Canada, Australia/New Zealand, South Africa and the UK/Europe and are rapidly developing the consumer products side of our business.'

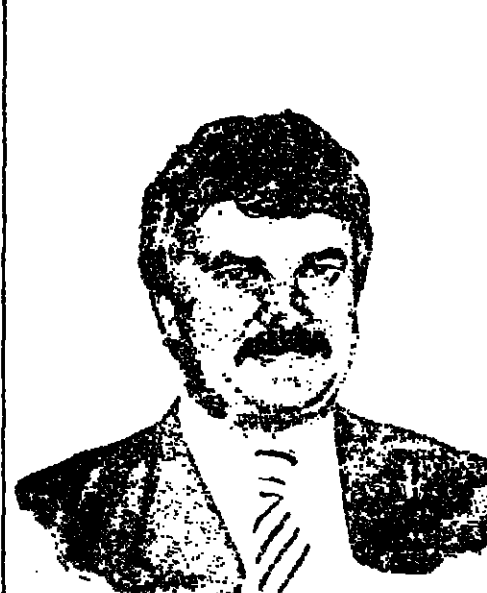


Martin Parker - Age 43.
Chairman
Tootal Home Furnishings.

Joined 1983. His wide international business experience acquired latterly

with Berger/Hoechst, includes assignments in Africa and Europe.

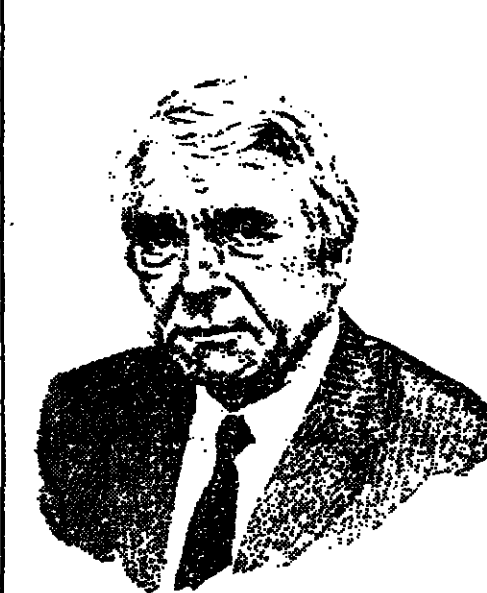
'Key to matching the aspirations of the consumer is the growing capability of Tootal Home Furnishings to offer a rich diversity of well designed, high quality products. We satisfy the broadest spread of home furnishings products within the UK market.'



Nick Kershaw - Age 42.
Marketing & Planning Director
Tootal Thread.

Joined 1964. Has worked in the Philippines, Hong Kong and the USA where he is now based at the Head Office of Tootal Thread.

'We intend to make sure that we are strongly represented wherever the garment industry moves to. If that requires investing in dyeing and finishing facilities in order to provide a more effective service, then we are prepared to do so in order to yield a very high return for ourselves.'



Pieter de Fouw - Age 54.
Managing Director
Firet Netherlands.

Joined 1975. Has had wide-ranging business experience with I.T.T. and Du Pont.

'Our reputation for the development and successful marketing of industrial nonwovens in the major industrial countries is excellent. We have spread our sales and servicing from Europe to Japan, USA, New Zealand, Australia and Middle and Far East. Nonwovens is an exciting technology and we are ready to expand within it.'

Granville & Co. Limited

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High	Low	Company	Price Change	Gross Yield	P/E	Fully
144	123	Aas. Bril. Ind. Ord.	143	6.5	4.4	7.9
151	135	Aas. Bril. Ind. CULS	149	10.0	8.7	—
77	51	Airsprung Group	57	5.4	11.2	6.3
142	28	Armstrong and Rhodes	144	2.9	5.5	2.2
145	108	Bardon Hill	144	3.4	2.4	14.5
58	42	Bray Technologies	54	3.8	5.8	6.3
201	170	CCL Ordinary	110	12.0	1.1	—
152	110	CCL 11pc Conv. Pri	110	15.7	13.8	—
1,000	100	Carbonium Ord.	58	5.2	9.6	—
88	64	Carbonium 7.5pc Pl.	101	10.7	12.2	—
73	51	Deborah Services	50	6.5	12.5	5.0
314	182	Frank Hensell	268	9.6	3.5	10.8
289	170	Frank Hensell Pr. Ord	27	—	—	—
32	25	Frederick Parker	27	—	—	—
58	33	George Blair	23	2.7	11.7	6.3
50	33	Ind. Precision Castings	109	15.0	7.9	7.5
218	186	Isa Group	188	4.9	8.8	4.7
124	101	Jackson Group	244	13.7	5.6	8.7
285	213	James Burroughs	86	12.9	15.2	—
83	63	James Burroughs Sp. Pl.	85	5.0	5.8	8.8
87	71	John Howard and Co.	200	15.0	15.5	7.4
240	100	Linguaphone Ord.	65	3.8	5.6	46.4
645	300	Minhouse Holding NV	45	5.0	11.1	—
120	31	Robert Jenkins	32	5.7	17.8	16.8
80	28	Scruttons "A"	77	—	—	—
92	61	Torday and Carlisle	350	5.4	1.3	19.3
444	340	Trevaan Holdings	274	1.3	4.7	13.3
27	17	Unilock Holdings	44	7.5	8.0	9.2
98	81	Walter Alexander	215kd	17.4	8.0	6.1
247	216	W. S. Yates	—	—	—	—

Prices and details of services now available on Prestel, page 48146

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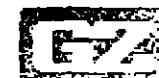
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UK COMPANY NEWS

Electron House will join USM with 30% placing

BY TERRY GARRETT

EARLY NEXT week Electron House, an electronic component distribution group, will join the USM with 30% placing of its shares.

Of the shares being offered, valued at around £1m, roughly half will come from existing shareholders, largely from the holding of Mr Robert Leigh, chairman and managing director, with the balance representing new equity for the business, raising around £600,000 after expenses.

The placing price is yet to be finely tuned but the group will come to the market on a prospective p/e for the year ending next May of around 20. That is a rating which slots in at a modest discount to existing quoted stocks such as Norbain and Memec, given the differences in year-ends.

The group's roots can be traced back to the 1950s when two independent businesses—Hall and Zaerix—operated in the market for receiving valves for televisions, radar, and so on. Hall was later bought by Gramplan Holdings before Zaerix, then owned by a private company called Madgel, bought the Gramplan subsidiary.

Electron House took shape in October 1983 when Grosvenor Development Capital financed a management buy-out of Hall and Zaerix. Electronic component distribution is still the backbone of the group despite the maturity of those early valve

companies. The group now joining the USM has four main activities: distribution of electronic components (House of Power); distribution of electron tubes (the valves companies); non-franchised distribution; and "procurement of electronic components for Government agencies"—mainly the MoD.

For the year to May the group is forecasting profits of £375,000 pre-tax on sales of £6.2m. This compares with a profit of £226,000 on turnover of £5.2m for 1983-84. Margins, according to the directors, have been depressed by heavy expenditure on computer systems—some £150,000 in the last two years—and pre-tax returns should improve to 10 per cent.

The House of Power subsidiary, a specialist distributor of electronic components under franchise agreements, accounting for almost a half of 1984-85 sales, is likely to provide the lion's share of profits growth in the foreseeable future.

It has a broad range of franchises, with its top three—BICC-Vero Electronics, Berg Electronics and Unitrade, accounting for 35 to 40 per cent of House of Power's sales, or 20 per cent of group total.

Customers represent a wide range of companies in the industrial and electronics fields—the largest is the MoD, with sales of around £1m, and others such as Marconi, Flessey, Racal and Ferranti also featuring.

After the placing Mr Robert Leigh's shareholding in the enlarged group will drop to 21 per cent. Grosvenor—which financed the buy-out—is down to 20 per cent and other directors of the company will hold just under 30 per cent of the equity.

Apart from Mr Leigh's discomfort of living with a "six-figure mortgage" the reason for going public is to use Electron as a vehicle for further acquisitions. During Mr Leigh's seven years as a managing director of a quoted company in the early '70s he was involved in 16 acquisitions.

Apart from his own experience at making deals at Crelion, Mr Leigh underlines the "acquisitive experience" of his board colleagues who have been involved in areas such as the NEB, merchant banking, accounting and Grosvenor Development Capital.

The combined experience of the directors should enable the group to make acquisitions which will "enable the group to improve its profit margins as sales expand."

Though the prospectus is unlikely to go any further than a bald statement about future purchases, the directors obviously intend to be fairly aggressive in acquiring other businesses—most likely in the distribution area. It would not be surprising to see a deal within a few months of the USM debut, to be followed by an acquisition—a year type philosophy.

Clyde setback as only 19% accept offer for Petrolex

BY FRANK KANE

Clyde Petrolex suffered a setback yesterday in its attempt to acquire fellow independent oil company Petrolex when acceptances of its £11.7m bid totalled only 19.1 per cent of Petrolex shareholders.

Clyde said some acceptances were withdrawn yesterday after an announcement from Petrolex that it has received approaches which might lead to a further offer being made for the company.

This was bitterly criticised by Clyde as a "tactical announcement." It said that before news of a possible second bid, it had received acceptances from 28.99 per cent of Petrolex holders, and had further "firm indications" that would have taken the stake to 33 per cent.

Clyde also said that it had been aware of the existence of a possible rival in its bid for Petrolex since last Wednesday, when there had been a meeting between Singer and Friedlander, advising Clyde, and Morgan Grenfell, advising Petrolex.

They were informed of a new "reach to the Petrolex board." Mr Malcolm Gourlay, Clyde's chief executive, said last night "they tried to get us into a Dutch auction last week." Mr Lin Lindsay, managing director of Petrolex, said that the meeting last week "was not called with the express intention of discussing another bidder," and said in any case that he had not been present.

Morgan Grenfell confirmed last

night that there had been a meeting last week between them and Clyde's advisers, Singer & Friedlander, but said that the situation then was still developing.

"It still hasn't got to the stage where there's a proposition or a name, but it was something we felt should be now properly announced," Morgan said.

Petrolex has until April 21 before its bid must finally lapse, unless there is intervention by another party. Because it has declared its 75p per share offer to be final, Takeover Panel rules prevent it from increasing the terms, which were described by Mr Gourlay last night as "full and fair."

Mr Gourlay said that he was disappointed at the turn of events. "What we would really like to know is where these approaches are going to end up," he said. Prior to Petrolex's statement about a possible alternative bid he thought that Clyde was "doing quite nicely" in gaining acceptances of its offer, and had a "reasonable chance of success."

Clyde shares fell 1p to 97p yesterday and Petrolex gained 2p to 80p. Petrolex earlier sought to bolster its defence with the announcement of an oil discovery in a South Texas field in which it has a 17.5 per cent share, but Clyde responded by saying that the find had already been included in Petrolex's last defence document.

Burnett & Hallamshire share price slumps 19p

By Lionel Barber

Burnett & Hallamshire, the international mining and construction group, saw its share price slump 19p to 50p yesterday after reports that talks with its bankers had run into difficulty.

Five weeks ago, Burnett, advised by Kleinwort Benson, announced that it was in talks with its principal banker, Barclays. The talks centre on the company's exposure to Californian property and a further statement is expected within the next fortnight.

Burnett declined to comment yesterday. Last year, Burnett reported pre-tax profits of £8.8m, well down on profits of £30m up to March 1983. The company also disclosed that it had given guarantees amounting to £41.25m on certain contracts within a general provision for contingent liabilities.

Price Waterhouse, the accountants, are preparing a report on Burnett while talks with the company's bankers continue. The negotiations involve American as well as British banks.

No probe
The acquisition by BSA Group of the automotive interests of Cape Industries will not be referred to the Monopolies Commission.

Top men at Lex and Hawley awarded big pay increases

BY ALEXANDER NICOLL

TOP EXECUTIVES of two companies with extensive U.S. interests, Lex Service and Hawley Group, were awarded big pay increases last year.

The 1984 annual report from Lex, the automotive and electronic components distributor, shows that Mr Trevor Chinn, the chairman and managing director, received a 48 per cent increase to £280,970. His total included U.S.\$174,900 (£145,000 at current rates) for services in the U.S. compared with \$131,600 in 1983.

Mr Chinn was not, however, the highest paid Lex director. Another unidentified director received £307,808, an 85 per cent increase on 1983. His salary was paid virtually entirely in dollars.

About 35 per cent of the group's 1984 turnover and 31 per cent of pre-tax profits came from its U.S. electronic components distribution businesses.

At Hawley Group, the servicing industry concern which switched its domicile from London to Bermuda last year, Mr Michael Ashcroft more than doubled his salary as chairman, from £95,000 to £199,000. Another director received over £150,000, a third over £125,000 and two more between £80,000 and £100,000 each.

Hawley, though registered in Bermuda, deems its head office to be in Roseland, New Jersey. Just over half its 1984 turnover and 56 per cent of pre-tax profits were accounted for by North American activities, which are chiefly cleaning and maintenance and security systems.

See Lex

Two Reed subsidiaries sold to U.S. printer

R. R. Donnelley, the U.S. printer, has completed the purchase of the two Dunstable based subsidiaries of Reed International which produce short-run magazines and airline and rail directories.

The deal was undertaken through Donnelley's York-based offshoot, Ben Johnson, which came to a value on the purchase of Reed as a step in the expansion of its specialist magazines, and especially international magazines.

Contracts of Reed's magazines and directories, including Flight and House and Garden, have been retained by Ben Johnson as part of the deal.

COMPANY NEWS IN BRIEF

Pre-tax profits rose from £384,000 in 1984 to £575,000, to be satisfied by the issue of 1.75m ordinary shares in Control.

Turnover of the group, ultimately owned by Matra of France, increased from £12.22m to £12.82m.

A same-gain single 4.3p dividend is being paid. Stated £7.61 earnings per 50p share were 5.6p (5.2p).

Despite a £24,000 slip in turnover to £58,000, Jayplant's pre-tax profits edged ahead from £54,000 to £56,000 in the six months to November 30 1984 because of an improved sales mix.

The directors believe the general improvement in conditions in the building industry will continue in the foreseeable future. The USM company is a plant hire contractor.

Tax took £20,000 (same) and earnings per 25p share were 1.27p (0.948p).

Exeter Building and Construction Group, a USM stock, returned lower taxable profits of £382,000, against £659,000, for 1984, on turnover ahead at £44.28m against £34.97m.

The result was struck after a doubled interest charge of £400,000 and was subject to tax of £124,000 (£39,000). Earnings per share fell from 17.4p to 10.1p but the dividend total is, in effect, being held at 5.6p by a final payment of 3.6p.

The offers by Jefferson Smurfit Group for the outstanding ordinary and preference shares of the TMC Group have been declared unconditional.

Jefferson claims control of 92.2 per cent of the ordinary and says the offers remain open until April 26. The extension is for the benefit of smaller TMC shareholders who have not yet received the relevant documentation.

However, neither the cash nor the loan stock alternatives are being extended.

Simon Engineering has completed the sale of its subsidiary, Simon-Vicars, to a management team led by the present chairman and managing director. The company, a manufacturer of biscuit and confectionery machinery, has net assets of approximately £1.4m.

Control Securities has acquired property investment and dealing group, Ellesmere

Port and its subsidiaries for £275,000, to be satisfied by the issue of 1.75m ordinary shares in Control.

Ellesmere Port group's principal asset is 133 acres of land at Botany Quarry close to the M25 east of London. It is intended to develop this as an industrial site. Some contracts have already been completed for the sale of part of the site and also contracts exchanged for the sale of an adjoining site and various Ellesmere Port properties for a total of £1.75m.

Net asset value at Baillie Gifford Japan Trust for the six months to February 29 1985 came to £55.1p against £55.8p at the end of last August. Fully diluted the figures were 33.4p and 36.8p respectively.

Available income came through ahead from £22,881 to £50,671 with tax this time at £31,358. Earnings per share were shown as 0.5p (0.23p).

John L. Jacobs has agreed to dispose of its 19.5 per cent interest in Socomet-Arvey and Cie, which trades as shipbroker in Paris for about £560,000 at the end of April.

Socomet's latest accounts show a trading loss, of which the group's proportion amounted to £40,000.

Share stakes
Changes in company share stakes announced recently include:

Electronic Rentals—On March 21, director A. C. Cowell sold 56,620 shares at 44p per share. On March 27, director T. E. been declared unconditional.

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Control Securities has acquired property investment and dealing group, Ellesmere

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WALL STREET

Recovery in IBM spurs gains

DEBT markets on Wall Street recovered their balance in calm trading yesterday, helped by the steadier tone of the dollar in its more measured response to the failure of Bevil, Bresler & Schulman Asset Management, the New Jersey-based trader in federal securities, writes Terry Byland in New York.

A recovery in IBM, whose trading results are expected tomorrow, also brought a round of gains in the stock market.

At 3pm the Dow Jones industrial average was down 0.44 at 1,252.54.

The credit markets opened nervously but gained confidence as the dollar edged up in early trading. Money market rates began to shade lower in light trading, with Treasury and banking certificates of deposit showing modest falls in rates - and thus, no sign of any "flight to quality" in the wake of the Bevil, Bresler problems.

Federal funds remained high and the Federal Reserve intervened with another \$1.5bn in customer repurchase arrangements when the rate touched 8 1/2 per cent.

The failure of Bevil, Bresler, hard on

the heels of the collapse of ESM Government Securities, has thrown further doubt over the repos market in federal securities and re-opened the question of regulation in the Government debt markets.

But the New Jersey firm was a relatively small player in the Wall Street debt markets, and its failure is not expected to cause problems for other traders or banks.

In the stock market, IBM rebounded \$1 1/4 to \$125 as traders awaited this week's announcement. The computer monarch has already warned that results will be disappointing, and the stock has recovered, after discounting the boardroom prediction.

Digital Equipment, \$1 1/4 up at \$101 1/4 and Burroughs, \$1 1/4 higher at \$50 1/4, were other technology issues to follow IBM's lead. Motor stocks also recovered their form, led by a 5 1/2 gain to \$72 1/4 in General Motors and a similar gain in Ford, which put the stock at \$42 1/4.

The season of first-quarter corporate results opened with figures from International Paper, the world leader in its industry, and from Abbott Laboratories, the major pharmaceutical and hospital equipment group.

Poor results had been expected from International Paper and at 58 1/2, the stock held unchanged. Other paper industry stocks were also quiet.

Abbott Laboratories was similarly unchanged at \$52 1/4 after disclosing an increase in profits that was much in line with expectations. The rest of the drug sector turned cautiously lower, awaiting trading results from the other major names.

Institutional buying of Unilever lifted

the stock \$1 to \$17 1/4 while Goodyear Tire at \$27 1/4, gained 5/8, despite warning of lower first-quarter profits.

Heavy turnover in Unocal saw the shares lose 5/8 to \$48 1/4 against the offer from the Pickens camp of \$54 a share for 51 per cent of the equity. Cox Communications at \$78 1/4 remained well above the offer from the family interests, despite some doubts on Wall Street as to prospects for a higher bid. Paperkraft jumped \$2 1/4 to \$19 1/4 after agreeing to a \$240m leveraged buyout proposal.

A weak feature again was CBS, which fell a further \$2 1/4 to \$108 as the lower profits - and warning bid hopes - brought out the sellers.

On the American Stock Exchange, the American depositary receipts of Imperial Group, the UK tobacco giant, held unchanged at \$24 after a block deal of 1.5m ADRs was crossed by Salomon Bros.

The bond market showed gains of about a quarter of a point in modest trading. Traders now face a slack period for new Treasury issues and expect some comfort from federal economic data. Retail sales for March, due for announcement this week, are likely to show a significant slowdown of the recent trend.

LONDON

Holiday mood is extended

INVESTORS extended their Easter recess in London yesterday and a general lack of enthusiasm left stocks mixed to easier.

Apart from Blue Circle, down 8p to 47 1/2, and NatWest Bank, 10p lower at 50p, falls among constituents of the FT Ordinary share index rarely exceeded more than a few pence. The index closed 6.6 down at 955.8.

Longer-dated Government securities moved up 1/4 despite worries about money supply trends. The latest figures are due to be announced today and forecasts range to a possible rise of 1 1/2 per cent in sterling M3 and of a further increase in bank lending.

Chief price changes, Page 32; Details, Page 33; Share information service, Pages 34-35.

AUSTRALIA

A WEAKER domestic currency and better metal prices took Sydney stocks to further records and the All Ordinaries index added 3.8 to 845.7 from the previous high set last Thursday.

Aided by improved copper and gold prices, BHP jumped 14 cents to A\$6.28, CSR put on 4 cents to A\$3.00 and Boulderville 3 cents to A\$2.45.

Biscuit-makers Arnotts fell 50 cents to A\$4.10 and its takeover target Allied Mills ended unchanged at A\$2.75 on the final day of the A\$3.35 a share bid. Bond Corporation remained steady at A\$1.45 and is not expected to win control of Arnotts because more than 90 per cent of the foods group's capital is in friendly hands.

HONG KONG

LATE buying pulled stocks up from early lows in Hong Kong as overseas investors sought shares. The Hang Seng index ended 8.97 higher at 1,480.22 having been a net 12.49 lower at mid-session.

Jardine Matheson was 10 cents firmer at HK\$11.30, ahead of a denial from Trafalgar House of the UK that it was seeking a controlling stake in the Hong Kong-based trading group.

In banks, Hongkong and Shanghai Bank picked up 10 cents to HK\$39.00, but Hang Seng was 25 cents lower at HK\$48.75.

SOUTH AFRICA

GOLD stocks rallied as the bullion price firmed in Johannesburg where most prices ended higher.

Randfontein Estates put on R1 to R216, Kloof picked up R1.50 to R81 and Southvaal added R2 to R193.

Industrials, while showing little activity, ended firmer with blue chips gaining most attention. Diamond stock De Beers continued to gain, putting on a further 5 cents to R10.25.

Impala Platinum rose 50 cents to R22.75 while Rustenburg Platinum dropped 10 cents to R17.90.

CANADA

GAINS among some gold and oil stocks enabled Toronto to move strongly ahead, breaking out of the downward path taken the previous session.

Among the major oil companies, Texaco Canada rose 3 1/2 to C\$35 1/2, Imperial Oil C\$31 1/2 to C\$33 1/2 and Shell Canada C\$31 1/2 to C\$32 1/2.

In the gold sector, Lake Shore Mines added C\$1 1/2 to C\$49 1/2, Giant Yellowknife C\$14 1/2 to C\$15 1/2 and Echo Bay Mines C\$4 to C\$18 1/2.

Montreal also traded higher.

SINGAPORE

SOME late selling left Singapore easier, after a thin day's trading, and the Straits Times industrial index slipped 3.91 to 812.22.

Against the lower trend, the finance sector found support, particularly from London. Development Bank of Singapore, which lowered its interest rates on some mortgage loans, held steady at S\$8.25.

TOKYO

Lure of old favourites reappears

MEDIUM and low-priced shares were at the centre of attention during early lacklustre trading in Tokyo yesterday, but the lure of recently-popular biotechnology-related issues reappeared later in the session, writes Shigeo Nishiwaki of Jiji Press.

The Nikkei-Dow market average shed 5.53 points to 12,630.43. Volume remained high at 485.26m shares, up from Monday's 484.29m, while gains outpaced losses by 387 to 378 with 143 issues unchanged.

The inflow of funds into the market has declined rapidly in recent days. Many foreign investors remained absent from the Tokyo stock market because of Easter holidays, while domestic institutional investors kept a low profile, awaiting the Government's announcement later in the day of new external economic measures designed to ease trade friction.

Individual investors, particularly speculators, dominated the market, buying medium and low-priced shares on expectations of being able to sell them for a quick profit.

Kawasaki Kisen topped the active list with 45.91m shares changing hands. Investors were encouraged by the improved margin trading position of the stock, which rose Y15 to Y220 before coming under late profit-taking pressure to finish Y3 up at Y208.

Among other medium and low-priced issues some fisheries were heavily traded. Taiyo Fishery ranked third on the active list with 13.97m shares changing hands and gaining Y10 to Y170.

Most construction stocks gained ground on expectations that the Government will ease restrictions on urban renewal. Kajima Corp added Y12 to Y300 and Obayashi-Gumi Y7 to Y239.

Nippon Oil and Pats was an active feature but late selling drove the stock down Y8 to Y810. Nippon Formula Feed put on Y30 to Y360.

In the wake of Kawasaki Kisen's setback in the afternoon investor interest began to return to biotechnology shares. Toyokojo climbed Y60 to Y1,850, Asahi Chemical Y30 to Y900 and Sanryo Y60 to Y1,440.

The bond market strengthened in thin trading in response to Trust Fund Bureau purchases of long-term government bonds. The bureau bought Y30bn worth of bonds from three securities houses and six banks. The yield on the benchmark 7.3 per cent government bond, due in December 1993, slipped to 6.690 per cent from Monday's 6.710 per cent.

EUROPE

Inspiration is sorely lacking

INVESTORS failed to find much inspiration as they returned to the bourses yesterday after the Easter holiday weekend. Most European centres ended little changed after a lacklustre day's trading.

In Frankfurt shares ended marginally higher after the emergence of some late foreign demand but the mid-session calculation of the Commerzbank index registered a 0.8 decline to 1,193.9.

Chemicals were steady with Hoechst up DM 1.70 on Thursday's level at DM 209.70. Bayer added DM 1.20 to DM 213.30 and BASF gained 90 pf to DM 205.90.

Engineering stocks saw Linde down DM 1.50 to DM 413.50. GHV was unchanged at DM 157.50 and KHD slipped 30 pf to DM 249.50.

In the banking sector Dresdner was unchanged at DM 189.90, Deutsche Bank added DM 1.30 to DM 440 and Commerzbank put on DM 1 to DM 164.

The motor sector was mixed with Daimler down DM 2 at DM 656, VW up DM 1 to DM 203 and BMW unchanged at DM 371. Porsche was DM 20 lower at DM 1,205.

Bonds were little changed in quiet trading and the Bundesbank sold DM 8.6m of paper, after sales totalling DM 22.2m last Thursday.

It was reported that the Bundesbank was expected to detail new proposals for capital market regulation after further talks with West German banks on Friday.

Amsterdam recovered from early declines although the market remained thin throughout the day. The ANP-CBS general index picked up 0.7 to 204.3.

Among major companies Hoogovens shed a 20 cent opening gain to close unchanged at F1 62.10, despite last week's announcement of the first dividend payment since 1976. Akzo found foreign demand, adding F1 2.20 to F1 111.

The banking sector was weak with NMB down 70 cents at F1 168.20. ABN shed 50 cents to F1 398 ahead of today's annual report.

Heavy foreign demand was seen for shipper Nedlloyd which rose F1 3.80 to F1 184.30. Retailer Ahold was 30 cents ahead at F1 213.30 ahead of its annual report, also due today.

Bonds were unchanged over a broad front in very slow trading.

Paris held steady at higher opening levels, extending the recent advance.

Carrefour picked up much of a sharp early decline to close Ffr 3 lower at Ffr 2.137 as it announced higher net sales and group profits for 1984.

Air Liquide was also Ffr 3 lower at Ffr 646, after it received a letter of intent to construct the second stage of an oxygen production plant in Korea.

Zurich was little changed with many operators extending their Easter holiday.

An exception to a mostly steady banking sector was Credit Suisse, SwFr 15 lower at SwFr 2,405.

Elsewhere Alusuisse, which last week forecast that its 1985 performance would be roughly in line with 1984, rose SwFr 1 to SwFr 856.

Among the blue chips Nestlé rose SwFr 10 to SwFr 6,340, Sandoz SwFr 25 to SwFr 7,825 and Ciba-Geigy SwFr 15 to SwFr 2,840.

In Brussels analysts speculated that utilities could benefit if cuts - announced by the Banque Nationale de Belgique - in treasury bill rates carried over to the longer end of the market.

Market leader Petrofina added Bfr 50 to Bfr 6,900. The stock has recouped some of its recent losses after the company responded to rumours about the stability of a North Sea oil drilling platform by saying it would not have much impact on per share earnings.

Non-ferrous metals were mixed to lower. Vieille Montagne was unchanged at Bfr 5,400 but Hoboken declined Bfr 150 to Bfr 5,720.

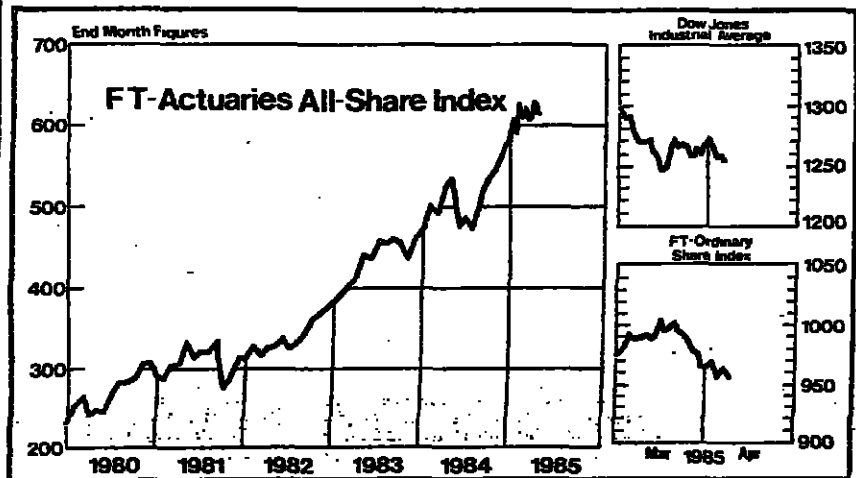
Retailer Delhaize continued its advance, putting on a further Bfr 60 to Bfr 7,680.

Milan edged ahead. Fiat rose L45 to L2,880 as it raised domestic car prices and Pirelli gained L41 to L2,189.

The stock exchange commission introduced a 100 per cent compulsory cash deposit on short-term transactions of Ausonia Assicurazioni shares, to curb speculative pressure following expectations of a takeover bid for the insurance group. The shares advanced a further L140 to L1,180.

Madrid was lower and Stockholm was mixed.

KEY MARKET MONITORS



STOCK MARKET INDICES				
	NEW YORK	April 9	Previous	Year ago
DJ Industrials	1,252.54	1,252.98	1,133.90	
DJ Transport	588.57	587.13	484.88	
DJ Utilities	154.39	154.39	125.24	
S&P Composite	178.35	178.04	155.45	
LONDON				
FT Ord	955.9	962.5	878.6	
FT-SE 100	1,270.2	1,278.5	1,096.7	
FT-A All-share	612.14	615.7	510.98	
FT-A 500	670.76	674.38	551.44	
FT Gold mines	516.2	509.3	893.7	
FT-A Long gilt	10.59	10.59	10.09	
TOKYO				
Nikkei-Dow	12,630.43	12,635.96	10,890.7	
Tokyo SE	866.54	867.65	863.34	
AUSTRALIA				
All Ord	845.7	842.0	758.6	
Metals & Mins.	545.5	544.4	540.7	
AUSTRIA				
Credit Aktien	74.86	74.72	54.93	
BELGIUM				
Belgian SE	2,276.23	2,279.17	-	
CANADA				
Toronto	2,049.2	2,038.06	2,230.0	
Metals & Mins.	2,507.6	2,599.54	2,321.4	
Montreal	128.69	128.30	113.14	
DENMARK				
Copenhagen SE	185.8	186.06	183.25	
FRANCE				
CAC Gen	216.0	215.7	189.5	
Ind. Tendance	118.2	118.0	89.3	
WEST GERMANY				
FAZ-Aktien	413.31	412.99	342.88	
Commerzbank	1,193.90	1,194.7	1,005.9	
HONG KONG				
Hang Seng	1,480.22	1,471.25	1,070.27	
ITALY				
Banca Com.	270.81	265.11	211.54	
NETHERLANDS				
ANP-CBS Gen	204.3	203.6	159.5	
ANP-CBS Ind	164.2	164.1	129.0	
NORWAY				
Oslo SE	313.91	313.36	268.26	
SINGAPORE				
Straits Times	812.22	820.84	998.12	
SOUTH AFRICA				
Gold	1,082.4	1,087.9	1,022.3	
Industrials	907.2	901.0	1,052.7	
SPAIN				
Madrid SE	111.98	111.73	82.77	
SWEDEN				
J & P	1,409.43	1,400.81	1,551.22	
SWITZERLAND				
Swiss Bank Ind	418.4	418.4	370.1	
WORLD				
Capital Int'l	200.6	200.8	187.7	
GOLD (per ounce)				
London	\$323.00	\$317.75		
Zurich	\$322.05	\$317.50		
Paris (fixing)	\$322.82	\$317.97		
Luxembourg	\$323.75	\$316.80		
New York (Apr)	\$324.40	\$325.00		

To be or not

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SCHEDULED SERVICES

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

Continued on Page 31

Prices at 3pm April 9

Continued on Page 32

Continued on Page 32

Sales figures are unofficial. Very high and low refers to the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 10% or more is shown, the figures are based on the number of shares outstanding. Dividends are shown for the new stock only. Unless otherwise noted, rates of dividends are annual distributions based on the value of the latest dividend.

a—dividend also extra(s); b—annual rate of dividend plus dividend; c—estimated dividend; (S)—cash—D—new dividend; low, d—dividend declared or paid in preceding 12 months; e—dividend in Canadian funds, subject to 15% non-residence tax rate; f—dividend in U.S. funds, subject to 30% non-residence tax rate; g—paid this year, omitted, deferred, or no action taken at latest dividend meeting; h—dividend declared or paid this year, in an amount less than the dividend rate; i—dividend rate; j—dividend rate, 50¢ or more; k—dividend rate, 50¢ or more, with the start of trading non-regular day delivery; P/E—price-earnings ratio; l—dividend declared or paid in preceding 12 months, plus stock split; m—dividend declared or paid in preceding 12 months, plus stock split; n—dividend paid in stock in preceding 12 months, as stated; cash value on ex-dividend or ex-distribution date of shares; o—highly volatile; p—dividend rate, 50¢ or more; q—dividend rate, 50¢ or more, with the start of trading non-regular day delivery; r—shares managed by such companies, well-distributed; or, securities issued, well-managed; s—dividend rate, 50¢ or more; t—dividend rate, 50¢ or more, with the start of trading non-regular day delivery; u—dividend rate, 50¢ or more, with the start of trading non-regular day delivery; v—dividend rate, 50¢ or more, with the start of trading non-regular day delivery; w—dividend rate, 50¢ or more, with the start of trading non-regular day delivery; x—dividend rate, 50¢ or more, with the start of trading non-regular day delivery; y—dividend rate, 50¢ or more, with the start of trading non-regular day delivery; z—dividend rate, 50¢ or more, with the start of trading non-regular day delivery.

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OVER-THE-COUNTER *Nasdaq national market, 2pm prices*[illegible]

Ni-paid		G		H		H	
	0.08	2673	9	8%	9		
	0.10	332	5%	5%	5%		
	0.12	71	2%	2%	2%		
	0.14	12	16%	15%	15%		
	0.16	181	28%	28%	28%		
	0.18	209	30%	30%	30%		
	0.20	236	32%	32%	32%		
	0.22	263	34%	34%	34%		
	0.24	290	36%	36%	36%		
	0.26	317	38%	38%	38%		
	0.28	344	40%	40%	40%		
	0.30	371	42%	42%	42%		
	0.32	398	44%	44%	44%		
	0.34	425	46%	46%	46%		
	0.36	452	48%	48%	48%		
	0.38	479	50%	50%	50%		
	0.40	506	52%	52%	52%		
	0.42	533	54%	54%	54%		
	0.44	560	56%	56%	56%		
	0.46	587	58%	58%	58%		
	0.48	614	60%	60%	60%		
	0.50	641	62%	62%	62%		
	0.52	668	64%	64%	64%		
	0.54	695	66%	66%	66%		
	0.56	722	68%	68%	68%		
	0.58	749	70%	70%	70%		
	0.60	776	72%	72%	72%		
	0.62	803	74%	74%	74%		
	0.64	830	76%	76%	76%		
	0.66	857	78%	78%	78%		
	0.68	884	80%	80%	80%		
	0.70	911	82%	82%	82%		
	0.72	938	84%	84%	84%		
	0.74	965	86%	86%	86%		
	0.76	992	88%	88%	88%		
	0.78	1019	90%	90%	90%		
	0.80	1046	92%	92%	92%		
	0.82	1073	94%	94%	94%		
	0.84	1100	96%	96%	96%		
	0.86	1127	98%	98%	98%		
	0.88	1154	100%	100%	100%		
	0.90	1181	102%	102%	102%		
	0.92	1208	104%	104%	104%		
	0.94	1235	106%	106%	106%		
	0.96	1262	108%	108%	108%		
	0.98	1289	110%	110%	110%		
	1.00	1316	112%	112%	112%		
	1.02	1343	114%	114%	114%		
	1.04	1370	116%	116%	116%		
	1.06	1397	118%	118%	118%		
	1.08	1424	120%	120%	120%		
	1.10	1451	122%	122%	122%		
	1.12	1478	124%	124%	124%		
	1.14	1505	126%	126%	126%		
	1.16	1532	128%	128%	128%		
	1.18	1559	130%	130%	130%		
	1.20	1586	132%	132%	132%		
	1.22	1613	134%	134%	134%		
	1.24	1640	136%	136%	136%		
	1.26	1667	138%	138%	138%		
	1.28	1694	140%	140%	140%		
	1.30	1721	142%	142%	142%		
	1.32	1748	144%	144%	144%		
	1.34	1775	146%	146%	146%		
	1.36	1802	148%	148%	148%		
	1.38	1829	150%	150%	150%		
	1.40	1856	152%	152%	152%		
	1.42	1883	154%	154%	154%		
	1.44	1910	156%	156%	156%		
	1.46	1937	158%	158%	158%		
	1.48	1964	160%	160%	160%		
	1.50	1991	162%	162%	162%		
	1.52	2018	164%	164%	164%		
	1.54	2045	166%	166%	166%		
	1.56	2072	168%	168%	168%		
	1.58	2099	170%	170%	170%		
	1.60	2126	172%	172%	172%		
	1.62	2153	174%	174%	174%		
	1.64	2180	176%	176%	176%		
	1.66	2207	178%	178%	178%		
	1.68	2234	180%	180%	180%		
	1.70	2261	182%	182%	182%		
	1.72	2288	184%	184%	184%		
	1.74	2315	186%	186%	186%		
	1.76	2342	188%	188%	188%		
	1.78	2369	190%	190%	190%		
	1.80	2396	192%	192%	192%		
	1.82	2423	194%	194%	194%		
	1.84	2450	196%	196%	196%		
	1.86	2477	198%	198%	198%		
	1.88	2504	200%	200%	200%		
	1.90	2531	202%	202%	202%		
	1.92	2558	204%	204%	204%		
	1.94	2585	206%	206%	206%		
	1.96	2612	208%	208%	208%		
	1.98	2639	210%	210%	210%		
	2.00	2666	212%	212%	212%		
	2.02	2693	214%	214%	214%		
	2.04	2720	216%	216%	216%		
	2.06	2747	218%	218%	218%		
	2.08	2774	220%	220%	220%		
	2.10	2801	222%	222%	222%		
	2.12	2828	224%	224%	224%		
	2.14	2855	226%	226%	226%		
	2.16	2882	228%	228%	228%		
	2.18	2909	230%	230%	230%		
	2.20	2936	232%	232%	232%		
	2.22	2963	234%	234%	234%		
	2.24	2990	236%	236%	236%		
	2.26	3017	238%	238%	238%		
	2.28	3044	240%	240%	240%		
	2.30	3071	242%	242%	242%		
	2.32	3098	244%	244%	244%		
	2.34	3125	246%	246%	246%		
	2.36	3152	248%	248%	248%		
	2.38	3179	250%	250%	250%		
	2.40	3206	252%	252%	252%		
	2.42	3233	254%	254%	254%		
	2.44	3260	256%	256%	256%		
	2.46	3287	258%	258%	258%		
	2.48	3314	260%	260%	260%		
	2.50	3341	262%	262%	262%		
	2.52	3368	264%	264%	264%		
	2.54	3395	266%	266%	266%		
	2.56	3422	268%	268%	268%		
	2.58	3449	270%	270%	270%		
	2.60	3476	272%	272%	272%		
	2.62	3503	274%	274%	274%		
	2.64	3530	276%	276%	276%		
	2.66	3557	278%	278%	278%		
	2.68	3584	280%	280%	280%		
	2.70	3611	282%	282%	282%		
	2.72	3638	284%	284%	284%		
	2.74	3665	286%	286%	286%		
	2.76	3692	288%	288%	288%		
	2.78	3719	290%	290%	290%		
	2.80	3746	292%	292%	292%		
	2.82	3773	294%	294%	294%		
	2.84	3800	296%	296%	296%		
	2.86	3827	298%	298%	298%		
	2.88	3854	300%	300%	300%		
	2.90	3881	302%	302%	302%		
	2.92	3908	304%	304%	304%		
	2.94	3935	306%	306%	306%		
	2.96	3962	308%	308%	308%		
	2.98	3989	310%	310%	310%		
	3.00	4016	312%	312%	312%		
	3.02	4043	314%	314%	314%		
	3.04	4070	316%	316%	316%		
	3.06	4097	318%	318%	318%		
	3.08	4124	320%	320%	320%		
	3.10	4151	322%	322%	322%		
	3.12	4178	324%	324%	324%		
	3.14	4205	326%	326%	326%		
	3.16	4232	328%	328%	328%		
	3.18	4259	330%	330%	330%		
	3.20	4286	332%	332%	332%		
	3.22	4313	334%	334%	334%		
	3.24	4340	336%	336%	336%		
	3.26	4367	338%	338%	338%		
	3.28	4394	340%	340%	340%		
	3.30	4421	342%	342%	342%		
	3.32	4448	344%	344%	344%		
	3.34	4475	346%	346%	346%		
	3.36	4502	348%	348%	348%		
	3.38	4529	350%	350%	350%		
	3.40	4556	352%	352%	352%		
	3.42	4583	354%	354%	354%		
	3.44	4610	356%	356%	356%		
	3.46	4637	358%	358%	358%		
	3.48	4664	360%	360%	360%		
	3.50	4691	362%	362%	362%		
	3.52	4718	364%	364%	364%		
	3.54	4745	366%	366%	366%		
	3.56	4772	368%	368%	368%		
	3.58	4799	370%	370%	370%		
	3.60	4826	372%	372%	372%		
	3.62	4853	374%	374%	374%		
	3.64	4880	376%	376%	376%		
	3.66	4907	378%	378%	378%		
	3.68	4934	380%	380%	380%		
	3.70	4961	382%	382%	382%		
	3.72	4988	384%	384%	384%		
	3.74	5015	386%	386%	386%		
	3.76	5042	388%	388%	388%		
	3.78	5069	390%	390%	390%		
	3.80	5096	392%	392%	392%		
	3.82	5123	394%	394%	394%		
	3.84	5150	396%	396%	396%		
	3.86	5177	398%	398%	398%		
	3.88	5204	400%	400%	400%		
	3.90	5231	402%	402%	402%		
	3.92	5258	404%	404%	404%		
	3.94	5285	406%	406%	406%		
	3.96	5312	408%	408%	408%		
	3.98	5339	410%	410%	410%		
	4.00	5366	412%	412%	412%		
	4.02	5393	414%	414%	414%		
	4.04	5420	416%	416%	416%		
	4.06	5447	418%	418%	418%		
	4.08	5474	420%	420%	420%		
	4.10	5501	422%	422%	422%		
	4.12	5528	424%	424%	424%		
	4.14	5555	426%	426%	426%		
	4.16	5582	428%	428%	428%		
	4.18	5609	430%	430%	430%		
	4.20	5636	432%	432%	432%		
	4.22	5663	434%	434%	434%		
	4.24	5690	436%	436%	436%		
	4.26	5717	438%	438%	438%		
	4.28	5744	440%	440%	440%		
	4.30	5771	442%	442%	442%		
	4.32	5798	444%	444%	444%		
	4.34	5825	446%	446%	446%		
	4.36	5852	448%	448%	448%		

[illegible][illegible]**FINANCIAL
TIMES**

is available early every
Monday-Friday in many major
Scandinavian towns

Continued on Page 40

F-As

EQUITY CAPITAL
3528-3220

FIXED 11

1. The first step is to identify the problem or question that needs to be answered. This involves understanding the context and the specific requirements of the task.

11

1. *Journal of the American Medical Association*, 2000; 284: 2689-2695.

FIXED IN**RIGHTS &**

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May 7 May 12
For rate indic

112	5	B
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85	88	92

10	12	27
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218	5	7
612	11	1212

PUTS **C**

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7	15	25	(1531)	330	20
				360	12

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	96	07
	98	06

40	47	53	(5571	608	82
85	88	92		650	24

5	13	—	Jaguar	280	52
10	25	27	2200	300	31

2 1/2	5	7	Apr. 9. Total contracts 4
6 1/2	11	12 1/2	

INDUSTRIALS—Continued			LEISURE—	
1983	+ or -%	YTD	1984-85	
100			100	
101			101	
102			102	
103			103	
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Stock	Price	Net	Ch	W	High	Low	Stock	Price	Net	Ch	W	High	Low
77 Marshall's Unbrd.	67	20	0	4 1/2	162	98	Maytag A. M. 110	110	10	0	0	0	110
78 Wm. H. Macy & Co.	22 1/2	7 1/2	0	13 1/2	188	118	Maytag Elec. Hg. 100	100	10	0	0	0	100
79 Wm. H. Macy & Co.	22 1/2	7 1/2	0	13 1/2	188	118	Maytag Elec. Hg. 100	100	10	0	0	0	100
80 Wm. H. Macy & Co.	22 1/2	7 1/2	0	13 1/2	188	118	Maytag Elec. Hg. 100	100	10	0	0	0	100
81 Wm. H. Macy & Co.	22 1/2	7 1/2	0	13 1/2	188	118	Maytag Elec. Hg. 100	100	10	0	0	0	100
82 Wm. H. Macy & Co.	22 1/2	7 1/2	0	13 1/2	188	118	Maytag Elec. Hg. 100	100	10	0	0	0	100
83 Wm. H. Macy & Co.	22 1/2	7 1/2	0	13 1/2	188	118	Maytag Elec. Hg. 100	100	10	0	0	0	100
84 Wm. H. Macy & Co.	22 1/2	7 1/2	0	13 1/2	188	118	Maytag Elec. Hg. 100	100	10	0	0	0	100
85 Wm. H. Macy & Co.	22 1/2	7 1/2	0	13 1/2	188	118	Maytag Elec. Hg. 100	100	10	0	0	0	100
86 Wm. H. Macy & Co.	22 1/2	7 1/2	0	13 1/2	188	118	Maytag Elec. Hg. 100	100	10	0	0	0	100
87 Wm. H. Macy & Co.	22 1/2	7 1/2	0	13 1/2	188	118	Maytag Elec. Hg. 100	100	10	0	0	0	100
88 Wm. H. Macy & Co.	22 1/2	7 1/2	0	13 1/2	188	118	Maytag Elec. Hg. 100	100	10	0	0	0	100
89 Wm. H. Macy & Co.	22 1/2	7 1/2	0	13 1/2	188	118	Maytag Elec. Hg. 100	100	10	0	0	0	100
90 Wm. H. Macy & Co.	22 1/2	7 1/2	0	13 1/2	188	118	Maytag Elec. Hg. 100	100	10	0	0	0	100
91 Wm. H. Macy & Co.	22 1/2	7 1/2	0	13 1/2	188	118	Maytag Elec. Hg. 100	100	10	0	0	0	100
92 Wm. H. Macy & Co.	22 1/2	7 1/2	0	13 1/2	188	118	Maytag Elec. Hg. 100	100	10	0	0	0	100
93 Wm. H. Macy & Co.	22 1/2	7 1/2	0	13 1/2	188	118	Maytag Elec. Hg. 100	100	10	0	0	0	100
94 Wm. H. Macy & Co.	22 1/2	7 1/2	0	13 1/2	188	118	Maytag Elec. Hg. 100	100	10	0	0	0	100
95 Wm. H. Macy & Co.	22 1/2	7 1/2	0	13 1/2	188	118	Maytag Elec. Hg. 100	100	10	0	0	0	100
96 Wm. H. Macy & Co.	22 1/2	7 1/2	0	13 1/2	188	118	Maytag Elec. Hg. 100	100	10	0	0	0	100
97 Wm. H. Macy & Co.	22 1/2	7 1/2	0	13 1/2	188	118	Maytag Elec. Hg. 100	100	10	0	0	0	100
98 Wm. H. Macy & Co.	22 1/2	7 1/2	0	13 1/2	188	118	Maytag Elec. Hg. 100	100	10	0	0	0	100
99 Wm. H. Macy & Co.	22 1/2	7 1/2	0	13 1/2	188	118	Maytag Elec. Hg. 100	100	10	0	0	0	100
100 Wm. H. Macy & Co.	22 1/2	7 1/2	0	13 1/2	188	118	Maytag Elec. Hg. 100	100	10	0	0	0	100
101 W													

INSURANCES

[illegible]

continued		PROPERTY—Continued					
+ or	Dev	Ytd	1984-85	+ or	Dev	Ytd	PE

[illegible]

	21	-	-	-	101	88	Louis Inc.	635	-2	17
	76	1.71	3.2	3.2	13.9	697	Alliance Trust	64	..	
	416	+2	10.5	3.5	3.6	10.6	Arlund Inc.	495	-3	0
							No. Capital			

[illegible]

1984-85		Stock	Price	+ or -	Div Yld	Cov Gr's	1984-85		Stock
High	Low						High	Low	
							106	100	Answer An Peril

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0	17.4	164	94	Barrin & Fin 2-yr	13	-	-	-	27.0	721	336	(West)
-	01	152	131	Berkley Technology	147	b0k.74	1.6	4.1	15.4			
-		F13	F10	Biotechnology Inc 2-	E127	FQ10c	-	0.7				

[illegible]

Price	Net	G'w	G'rs	P E	High	Low	Stock	Finance
140	-b	-	-	-				075: 211

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Tobacco Bond

[illegible][illegible]

Abbey Unit Tst. Mngs. (a)		
1-3 St Paul's Churchyard, EC4P 4DX.		
High Income		
Cash & Fixed Inv.	104.4	115.5
High Inc Equity	70.0	74.5
Worldwide Bond	188.6	158.1
Capital Growth		
American Growth	130.1	138.4
Asian Pacific	48.7	51.9
Assets & Emph. UK	74.6	79.8
Capital Reserve	53.4	53.7
Commodities & Energy	75.1	80.0
	75.1	75.2

F.T. CROSSWORD PUZZLE No. 5,689

DOWN
In fast time admitting the
Party is idle! (8)
Be hospitable and join
Brown about one (9)
Animal man the Spanish
abandoned (4)
Tote rule about a game of
chance (8)
Sort of diet one's dying to
be on? (10)
Silly, that is, about Ann
getting upset (5)
Agrees to change the
substant (16)
Stall on the way, also (5)

14 Does one get an itch to buy
here? (3, 6)
17 The folder is folded three
times as much (9)
18 The boy stood up Daisy after
a sudden misfortune (8)
19 Carries the family headgear
on his head (8)
22 Something women used to
wear for energetic activity
(8)
23 Suddenly drop round (5)
25 Cheese containing nitrogen
which is used for pickling
(5)
27 When it's back you can drink
it (4)

[illegible][illegible][illegible][illegible][illegible][illegible]

Am. Lumber Co.	228.0	242	+6.2
Am. Oil	107.0	112	+4.7
Am. Paper	117.2	119	+1.5
Am. Steel	107.0	112	+4.7
Am. Sugar	228.0	229	+1.0
Am. T. & T.	107.0	112	+4.7
Am. Tobacco	107.0	112	+4.7
Am. Water	107.0	112	+4.7
Am. Zinc	107.0	112	+4.7
Am. Gas	107.0	112	+4.7
Am. Electric	107.0	112	+4.7
Am. Chemical	107.0	112	+4.7
Am. Glass	107.0	112	+4.7
Am. Rubber	107.0	112	+4.7
Am. Textile	107.0	112	+4.7
Am. Food	107.0	112	+4.7
Am. Drug	107.0	112	+4.7
Am. Book	107.0	112	+4.7
Am. Stationery	107.0	112	+4.7
Am. Printing	107.0	112	+4.7
Am. Publishing	107.0	112	+4.7
Am. Entertainment	107.0	112	+4.7
Am. Media	107.0	112	+4.7
Am. Communications	107.0	112	+4.7
Am. Technology	107.0	112	+4.7
Am. Healthcare	107.0	112	+4.7
Am. Financial	107.0	112	+4.7
Am. Real Estate	107.0	112	+4.7
Am. Energy	107.0	112	+4.7
Am. Utilities	107.0	112	+4.7
Am. Transportation	107.0	112	+4.7
Am. Retail	107.0	112	+4.7
Am. Wholesale	107.0	112	+4.7
Am. Manufacturing	107.0	112	+4.7
Am. Services	107.0	112	+4.7
Am. Government	107.0	112	+4.7
Am. International	107.0	112	+4.7
Am. Global	107.0	112	+4.7
Am. World	107.0	112	+4.7
Am. Universe	107.0	112	+4.7
Am. Cosmos	107.0	112	+4.7
Am. Galaxy	107.0	112	+4.7
Am. Nebula	107.0	112	+4.7
Am. Star	107.0	112	+4.7
Am. Planet	107.0	112	+4.7
Am. Moon	107.0	112	+4.7
Am. Sun	107.0	112	+4.7
Am. Earth	107.0	112	+4.7
Am. Ocean	107.0	112	+4.7
Am. Atmosphere	107.0	112	+4.7
Am. Space	107.0	112	+4.7
Am. Time	107.0	112	+4.7
Am. Matter	107.0	112	+4.7
Am. Energy	107.0	112	+4.7
Am. Force	107.0	112	+4.7
Am. Power	107.0	112	+4.7
Am. Motion	107.0	112	+4.7
Am. Change	107.0	112	+4.7
Am. Development	107.0	112	+4.7
Am. Growth	107.0	112	+4.7
Am. Progress	107.0	112	+4.7
Am. Advancement	107.0	112	+4.7
Am. Innovation	107.0	112	+4.7
Am. Discovery	107.0	112	+4.7
Am. Knowledge	107.0	112	+4.7
Am. Wisdom	107.0	112	+4.7
Am. Understanding	107.0	112	+4.7
Am. Insight	107.0	112	+4.7
Am. Perception	107.0	112	+4.7
Am. Awareness	107.0	112	+4.7
Am. Consciousness	107.0	112	+4.7
Am. Mind	107.0	112	+4.7
Am. Soul	107.0	112	+4.7
Am. Spirit	107.0	112	+4.7
Am. Essence	107.0	112	+4.7
Am. Core	107.0	112	+4.7
Am. Heart	107.0	112	+4.7
Am. Center	107.0	112	+4.7
Am. Base	107.0	112	+4.7
Am. Foundation	107.0	112	+4.7
Am. Ground	107.0	112	+4.7
Am. Root	107.0	112	+4.7
Am. Origin	107.0	112	+4.7
Am. Source	107.0	112	+4.7
Am. Beginning	107.0	112	+4.7
Am. Start	107.0	112	+4.7
Am. Commencement	107.0	112	+4.7
Am. Initiation	107.0	112	+4.7
Am. Introduction	107.0	112	+4.7
Am. Entry	107.0	112	+4.7
Am. Access	107.0	112	+4.7
Am. Admission	107.0	112	+4.7
Am. Inclusion	107.0	112	+4.7
Am. Incorporation	107.0	112	+4.7
Am. Integration	107.0	112	+4.7
Am. Interrelation	107.0	112	+4.7
Am. Interaction	107.0	112	+4.7
Am. Interconnection	107.0	112	+4.7
Am. Interdependence	107.0	112	+4.7
Am. Interrelationship	107.0	112	+4.7
Am. Intercommunication	107.0	112	+4.7
Am. Interim	107.0	112	+4.7
Am. Interval	107.0	112	+4.7
Am. Interlude	107.0	112	+4.7
Am			

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Next sub day May 1.

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Thursday April 10 1980

Liberty Life Assurance Co Ltd									
30, Chancery Lane, New York									
Fund Manager, Treasurer: Kenneth C. ...									
Equity	107.7	11.9	+0.2						
Fixed Income	107.7	11.9	+0.2						
Money Market	107.7	11.9	+0.2						
Real Estate	107.7	11.9	+0.2						
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COMMODITIES AND AGRICULTURE

Copper prices
up on fears of
supply squeeze

By John Edwards, Commodities Editor

COPPER PRICES advanced strongly on the London Metal Exchange yesterday after a rise in New York over the holiday.

The cash price of higher grade copper closed £37.50 at 11.55.5 a tonne, while the three months' quotation was £37.75 higher at £1,240.5. The narrowing of the gap between the cash and three months prices was seen as a significant influence in reflecting a possible scarcity of immediately available supplies developing in the next few months.

Although the decline in LME warehouse holdings of copper last week was less than expected by some traders, stocks have fallen by more than 220,000 tonnes in the past year alone and are now at the lowest level since September 1974.

A shortage of supplies has already forced the prices of standard grade cathodes into an unusual premium over higher grade copper. Some traders are predicting a further drop in stocks on both sides of the Atlantic in the absence of new supplies as producers are cutting, rather than increasing, output.

A U.S. producer, Inspiration,

LONDON METAL EXCHANGE
WAREHOUSE STOCKS
(Changes during week ending April 4)

	(tonnes)
Aluminium	2,875 to 113,300
Copper	2,350 to 87,150
Lead	450 to 48,450
Nickel	544 to 4,984
Tin	260 to 20,880
Zinc	3,350 to 36,275
Silver	-512,000 to 53,384,000

last night raised its domestic copper selling price by 5 cents to 71 cents a lb. The rise in U.S. copper prices recently reflects both the lower value of the dollar and the impact of production cuts in North America.

A threatened squeeze on nearby supplies, and the move by Asarco to raise its U.S. lead price by 1 cent to 20 cents a lb, helped boost the lead market yesterday. Asarco lead jumped by £16 to £348.5 a tonne.

The big increase in zinc stocks had already been anticipated by the market, with the price of the cash price on Thursday.

Minister 'distorted' report
on abattoir waste industry

By Maurice Samuelson

THE GOVERNMENT was yesterday accused of distorting the conclusions of a Monopolies and Mergers Commission report into the industry which processes abattoir waste and the pricing policies of Prospero de Mulder, (PDM), its leading member.

PDM complained about a written parliamentary answer by Mr Alex Fletcher, Minister for Corporate and Consumer Affairs at the Department of Trade and Industry.

In it, Mr Fletcher had

PDM's pricing policy for purchasing animal waste was against the public interest.

The company added: "By not referring at all to this main conclusion, both the minister, Mr Alex Fletcher, and the Department of Trade and Industry have distorted the findings of the commission and so have seriously misled the public."

London
commodity
trading
down again

By Our Commodities Staff

THE DEPRESSION in London Commodity futures trading continued last month with trading in soft (non-metal) commodities totalling £70,798 lots, down from 359,938 lots in March 1984, according to figures from the International Commodities Clearing House (ICCH).

Cocoa remained the most heavily traded of the softs but at 56,110 lots turnover was well down from the 123,729 lots traded in the same month last year. The gap was narrower in value terms, however, with £1,982m of cocoa being traded in March 1985 compared with £2,177m in March 1984.

Second in the soft commodities turnover league was robusta coffee with 72,289 lots in March, down from 102,758 lots a year earlier.

The only increase in the list was for grain with turnover up from 34,639 lots to 41,911 lots.

● JAKARTAN's commodity exchange will start on April 28, it has been announced. Only rubber will be traded in the first year and only on physical contracts. The exchange plans to add tin, plywood, tobacco and palm oil.

● SOVIET imports of butter almost doubled to record levels in the six months to March to an estimated 103,000 tonnes from 52,900 in 1983. The weekly oil-dress newsletter Oil World reports. About 65,000 tonnes were shipped from France, about 28,000 tonnes from other EEC countries and most of the rest from Finland, Austria, Australia and Romania, it adds.

● BANGLADESH lost more than 1m 181-kilo bales of jute in floods last year and production of other jute exporting countries also dropped, pushing up prices, chairman of the jute board, Serajul Haq, chairman of the Bangladesh Jute Export Corporation, said. Prices had been between \$600 and \$615 a tonne but reached between \$800 and \$900 in the last six months.

Export earnings from raw jute reached \$121.53m in the first nine months of 1984 (ending June 30), up \$6.73m from last year.

All set for another bumper grain harvest in Britain

I RETURNED from New Zealand just before Easter to find that those at home had suffered the worst winter ever. It was true that temperatures touched a record low, and every tribute must be paid to those who looked after the stock and kept the water taps thawed out. But at the same time my staff had taken the chance between bad spells to plant spring crops and fertilise pastures in time to take advantage of higher temperatures when they arrive.

It was nothing like as bad as the winters of 1947 and 1963. Then we did not get back on the land until mid April, yet we reaped satisfactory harvests in spite of late drilling. In fact the optimists say the frosts will prove a blessing in disguise as the grass is now reduced by the heavy frosts.

True, there has been no pasture growth and the cost of feeding the lambed ewes with sufficient compound feed has been horrendous. But these setbacks are part and parcel of farming. One year is never the same as another and it is this uncertainty that

makes nonsense of farm budgeting unless a large margin is left for nature's irrational behaviour.

Variation in yields—while every farmer should be aware of from the cradle—has now been officially recognised by the Home Grown Cereals Authority. It is forecasting a wheat and barley crop of between 24.6m and 29.5m tonnes, against this

In general, though, the cereals look well. Any loss of plant in the fields has been minimal and milder weather in the last week has allowed the take up of nitrogen applied earlier. The spring sown crops are breaking through, having been in cold storage under ground for several weeks. I would have been much more worried if they had come through earlier and were

welcome to the EEC Commission, which is struggling to produce a package to limit grain overproduction. Few people believe the proposed 3.5 per cent price cut will restrict output at all. Indeed it could have the opposite effect as farmers seek to reduce their unit costs by increasing output.

Although a price cut is the Council of Ministers' favourite

would be difficult to administer, which is struggling to produce a package to limit grain overproduction. Few people believe the proposed 3.5 per cent price cut will restrict output at all. Indeed it could have the opposite effect as farmers seek to reduce their unit costs by increasing output.

Such considerations are not paramount in the thinking of a practical farmer, however. His only option is to make the best of things this growing season to try to secure the best yield he can, whether it is of cereals, milk or meat. The success of his operation will depend to a large extent on the weather over the next few months. In spite of the winter's horrors, the present state of the crops and grass are a good foundation on which to build.

Farmers' Viewpoint: By John Cherrington

year's 26.48m tonnes. This forecast, based on the acreage sown, was in a confidential document secured by Big Farm Weekly.

So far as I can gather the hard weather has not harmed autumn sown cereals to any extent. On my own farm about three acres of wheat had to be ploughed up and reseeded following attacks of rabbits and other pests and I have heard of isolated fields on other farms having to be dealt with the same way.

now suffering a bitter north-easterly wind as they often do in April.

This frost damage can only be

at the moment, except of course for Herr Ignaz Kiechle, the West German Farm Minister, this is probably because it is less likely to upset farmers than quotas on sales or acreage limitations. All the farm ministers have received a lot of stick over milk quotas and do not want to renew the unpopularity these aroused.

My guess is that the choice will be between direct acreage controls and raising the standard of grain which is acceptable for sales into intervention stores and for export. The first

India faces coffee surplus

By P. C. Mahanti in CALCUTTA

THE INDIAN coffee industry after several years of impressive growth has suddenly found itself saddled with an embarrassing surplus.

Output reached a record 170,000 tonnes in 1984-85. But export markets in countries belonging to the International Coffee Organisation (ICO) as well as non-ICO countries have absorbed only 90,000 tonnes while the home market may at the most take 55,000 tonnes.

So there will be 25,000 tonnes to be disposed of somewhere, otherwise too large a stock will have to be carried forward—creating problems of storage and liquidity for the government-controlled coffee board responsible for marketing all coffee both at home and abroad.

India's quota under the International Coffee Agreement this year was originally a little more than 43,000 tonnes. Following persistent pleading from the Indian Coffee Board it has been raised marginally to 43,424 tonnes.

Among non-quota countries Russia has agreed to buy 35,000 tonnes and another 3,000 to 10,000 tonnes will be sold elsewhere.

Since India has little chance of getting its ICO quota increased in the immediate future it must sell more to Russia or sell the surplus at home. India's share of the world coffee market is less than 2 per cent.

The United Planters Association of South India, which represents coffee producers, is opposed to offering too much to Russia because it demands a heavy discount on the London terminal price, especially when large offerings are made.

The association wants the coffee board to look for other buyers, but the board seems to have little choice at the moment. It could try to sell more to EEC countries—a lucrative market for coffee—but the community's preference for a tariff system makes Indian coffee at least 7 to 8 per cent dearer than coffee from "associate" countries.

In the domestic market strong competition from tea tends to limit expansion of coffee consumption.

Consumption within the country has been growing slowly and is currently about 55,000 tonnes. The only way to stimulate coffee sales at home is by cutting prices relative to tea, which the coffee board says will lead to serious losses.

In spite of the difficulties, however, the coffee board is pushing ahead with plans to raise coffee acreage and boost output to 200,000 tonnes by the end of the century. It is estimated that demand for export and at home will reach that level within 15 years.

It is worth pointing out that this year's output is almost the same as the target for 1989-90, the last year of the 11th five-year plan. At this rate of growth all the supply/demand projections as well as marketing plans will have to be updated so that embarking on plans do not emerge year after year.

Philippines output of
coconuts falls sharply

By Our Commodities Staff

COCONUT production in the Philippines fell 38.2 per cent during the first quarter to 230,000 tonnes (copra terms) against 371,000 tonnes in 1984, according to the United Coconut Association of the Philippines (UCAAP).

The fall in output meant export income was very low. UCAAP, which groups producers of coconut and coconut-based consumer items, estimated first quarter export revenues at only \$92m against \$207m in 1984. Delayed recovery in the industry and continuing labour unrest were mainly responsible.

A recovery, however, is predicted for the second quarter. UCAAP forecasts that 1985 coconut production will rise 27 per cent to 1.8m tonnes from 1.41m tonnes in 1984. Exports of coconut oil for 1985 is projected at 1.2m tonnes

(copra terms) against only 930,000m in 1984. REUTER

● FARMERS in the Soviet Union are not meeting the country's grain needs and are failing to combat soil erosion, disease and pests, the daily Pravda said.

Grain production continues to be a key problem, despite attempts to counter poor weather and growing conditions, the paper said.

Output fell in parts of Kazakhstan, the Ukraine, the Volga and central Chernozem areas in the last five years.

● MR JOHN MacGREGOR, Minister of State, Agriculture, Fisheries and Food yesterday announced a £2 per tonne increase in the average contract price for rye market support in 1985-86. This completes the package of changes recently approved by parliament.

LONDON MARKETS

GROWING concern about the possibility of a shortage of cocoa supplies available for immediate delivery lifted nearby positions on the London futures market yesterday.

Traders said the big open position in New York may attract nearby physical cocoa away from London. They fear there may be availability problems when tendering physical cocoa against the expiring near May position begins next month.

This was reflected in the fact that nearby positions moved higher while forward positions lost ground. The prompt May quotation ended £15 higher at £1,974.50 a tonne and the July quotation £6 higher at £1,951.50 a tonne.

MAIN PRICE CHANGES

Apr. 9 + or - Month ago

METALS	Apr. 9	+ or - Month ago
Aluminium	£1100	£1100
Copper	£1100	£1100
Gold	£1100	£1100
Lead	£1100	£1100
Nickel	£1100	£1100
Silver	£1100	£1100
Tin	£1100	£1100
Zinc	£1100	£1100

In tonnes unless otherwise stated

Apr. 9 + or - Month ago

COCONUTS	Apr. 9	+ or - Month ago
Coconut (Phil)	£850	£850
Palm (Malay)	£850	£850
SEEDS	£850	£850
Copra (Phil)	£850	£850
Soyabean (U.S.)	£850	£850
GRAINS	£850	£850
Barley (U.K.)	£850	£850
Wheat (U.K.)	£850	£850
Others	£850	£850

INDICES

FINANCIAL TIMES

REUTERS	Apr. 9	+ or - Month ago
1984	1984	1984
1985	1985	1985
1986	1986	1986
1987	1987	1987
1988	1988	1988
1989	1989	1989
1990	1990	1990

OIL

Crude trading was very thin, and largely confined to Brent. Prices were stable to firm at levels achieved in U.S.

SPOT PRICES	Apr. 9	+ or - Month ago
Crude Oil	£850	£850
Gas Oil	£850	£850
Heating Oil	£850	£850
Jet Fuel	£850	£850
Aviation Fuel	£850	£850

OTHER MARKETS

MEAT

MEAT COMMISSION	Apr. 9	+ or - Month ago
Beef	£850	£850
Lamb	£850	£850
Pork	£850	£850
Chicken	£850	£850
Duck	£850	£850
Goose	£850	£850

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. May 525.0, 525.0, 525.0.

WHEAT—(U.S. \$ per tonne)	Apr. 9	+ or - Month ago
U.S. No. 2 Soft Red Winter	£850	£850
U.S. No. 2 Hard Winter	£850	£850
U.S. No. 3 Yellow	£850	£850
U.S. No. 4 Yellow	£850	£850
U.S. No. 5 Yellow	£850	£850

ROTTERDAM

WHEAT—(U.S. \$ per tonne)

WHEAT	Apr. 9	+ or - Month ago
U.S. No. 2 Soft Red Winter	£850	£850
U.S. No. 2 Hard Winter	£850	£850
U.S. No. 3 Yellow	£850	£850
U.S. No. 4 Yellow	£850	£850
U.S. No. 5 Yellow	£850	£850

COPPER

COPPER OFFICIAL	Apr. 9	+ or - Month ago
High Grade	£1100	£1100
Low Grade	£1100	£1100

ALUMINIUM

ALUMINIUM	Apr. 9	+ or - Month ago
High Grade	£1100	£1100
Low Grade	£1100	£1100

NICKEL

NICKEL	Apr. 9	+ or - Month ago
High Grade	£1100	£1100
Low Grade	£1100	£1100

GRAINS

GRAINS	Apr. 9	+ or - Month ago
Wheat	£850	£850
Barley	£850	£850
Oats	£850	£850

WHEAT

WHEAT	Apr. 9	+ or - Month ago
U.S. No. 2 Soft Red Winter	£850	£850
U.S. No. 2 Hard Winter	£850	£850
U.S. No. 3 Yellow	£850	£850
U.S. No. 4 Yellow	£850	£850
U.S. No. 5 Yellow	£850	£850

RUBBER

RUBBER	Apr. 9	+ or - Month ago
Latex	£850	£850
Sheet	£850	£850
Smoked	£850	£850

SOYABEAN MEAL

SOYABEAN MEAL	Apr. 9	+ or - Month ago
High Grade	£850	£850
Low Grade	£850	£850

SUGAR

SUGAR	Apr. 9	+ or - Month ago
High Grade	£850	£850
Low Grade	£850	£850

TIN

TIN	Apr. 9	+ or - Month ago
High Grade	£1100	£1100
Low Grade	£1100	£1100

GOLD

GOLD	Apr. 9	+ or - Month ago
High Grade	£1100	£1100
Low Grade	£1100	£1100

COCOA

COCOA	Apr. 9	+ or - Month ago
High Grade	£1100	£1100
Low Grade	£1100	£1100

COFFEE

COFFEE	Apr. 9	+ or - Month ago
High Grade	£1100	£1100
Low Grade	£1100	£1100

PIGMEAT

PIGMEAT	Apr. 9	+ or - Month ago
High Grade	£1100	£1100
Low Grade	£1100	£1100

POTATOES

POTATOES	Apr. 9	+ or - Month ago
High Grade	£1100	£1100
Low Grade	£1100	£1100

COTTON

COTTON	Apr. 9	+ or - Month ago
High Grade	£1100	£1100
Low Grade	£1100	£1100

SILVER

SILVER	Apr. 9	+ or - Month ago
High Grade	£1100	£1100
Low Grade	£1100	£1100

LEAD

LEAD	Apr. 9	+ or - Month ago
High Grade	£1100	£1100
Low Grade	£1100	£1100

ZINC

ZINC	Apr. 9	+ or - Month ago
High Grade	£1100	£1100
Low Grade	£1100	£1100

GOLD AND PLATINUM COINS

GOLD AND PLATINUM COINS	Apr. 9	+ or - Month ago
High Grade	£1100	£1100
Low Grade	£1100	£1100

SILVER

SILVER	Apr. 9	+ or - Month ago
High Grade	£1100	£1100
Low Grade	£1100	£1100

COTTON

COTTON	Apr. 9	+ or - Month ago
High Grade	£1100	£1100
Low Grade	£1100	£1100

SILVER

CURRENCIES, MONEY and CAPITAL MARKETS

FINANCIAL FUTURES FOREIGN EXCHANGES

Dollar up on short covering

The dollar recovered from its opening loss on renewed short covering in currency markets yesterday. In New York on Monday, when London was closed, the dollar had fallen to DM 3.1305 against the D-mark from Thursday's close of DM 3.1370, but it recovered to DM 3.1310 on Monday. The weaker trend in New York reflected selling on news of a small U.S. security firm experiencing financial difficulties.

However, European traders came into the market yesterday morning to find the dollar some 4 pence down from when they went home before Easter and this resulted in a good deal of short covering. There are no U.S. economic statistics due for release until tomorrow, despite the latest bout of short covering. There was little indication as to how the market viewed the dollar's potential, before any further guide to the performance of the U.S. economy.

The dollar closed at SwFr 2.6515 from SwFr 2.6500 and Y254.95 compared with Y254.40. Against the French franc it finished at Ffr 9.9175

from Ffr 9.90. On Bank of England figures, its exchange rate fell to 148.7 from 149.9.

STERLING — Trading range against the dollar in 1985 is 1.2390 to 1.0525. March average 1.2260. Exchange rate index 76.5 up from 76.3 on Thursday but down from an opening high of 77.0.

Sterling retained some of the day's gains despite market reports of a reduction in the price of North Sea oil. Against the dollar it touched a best level of \$1.2215 before finishing at \$1.2060 up from \$1.1965. It was

also higher against the D-mark at DM 3.7975 from DM 3.7900 and Y307.28 from Y304.0. It rose to Ffr 9.9175 from Ffr 9.9150 but was unchanged against the Swiss franc at SwFr 3.5075.

D-MARK — Trading range against the dollar in 1985 is 2.0825 to 2.0825. March average 3.2972. Exchange rate index 120.9 against 120.7 six months ago.

The dollar drifted firmer in Frankfurt yesterday to finish towards the best level of the day. It closed at DM 3.1530 up from DM 3.1575 on Thursday. Trading was quiet for much of the day with the dollar's recovery reflect-

ing market sentiment that its recent sharp decline may have been a little overdone.

Further support was derived by market expectations of an upward revision to the first quarter U.S. GNP figures from the original sharp estimate released earlier this month. Elsewhere sterling finished at DM 3.7955 from DM 3.8050 while the Swiss franc improved to DM 1.8755 from DM 1.8795.

STERLING EXCHANGE RATE INDEX			
	April 9	Previous	
3.30 am	77.0	76.7	
9.00 am	77.0	77.0	
10.00 am	77.0	77.0	
11.00 am	76.5	76.5	
12.00 pm	76.5	76.5	
2.00 pm	76.7	76.5	
3.00 pm	76.7	76.5	
4.00 pm	76.5	76.3	

£ in New York			
	April 9	Prev. close	
6 Spot	1.2060-1.2100	1.2110-1.2120	
1 month	0.40-0.45pm	0.40-0.45pm	
3 months	0.40-0.45pm	0.40-0.45pm	
6 months	0.40-0.45pm	0.40-0.45pm	
12 months	0.40-0.45pm	0.40-0.45pm	

Forward premiums and discounts apply to the U.S. dollar.

Quiet trading

It was a quiet day on the London International Financial Futures Market yesterday. Dollar denominated contracts were reasonably firm, but Eurodollar futures showed little change after a strong opening. Dealers suggested that recent surveys pointed to little or no change in the general monetary situation in the U.S., amid a period of light Treasury sales of paper in April. This has led to some optimism that interest rates will come off, with futures prices regarded as slightly cheap to cash. On the other hand there is little to stimulate the market ahead of Thursday's U.S. retail sales figures for March, which are anticipated to be below February's rise. At the same time it is feared tomorrow's U.S.

M2 and M3 money supply growth will look excessive, leading to upward pressure on U.S. interest rates, while May is also a month of large quarterly re-financing by the Treasury.

Against this confusing background June Eurodollars opened at 90.25 and closed at 90.27, compared with 90.15 on Thursday. U.S. Treasury bonds were also quiet, as were three-month sterling deposits, although the yield curve in the sterling cash interest rate market tended to encourage buying of June and selling of September contracts.

Stockjobbers were reported to be buyers of gilt futures in early trading, but if today's M3 money supply rises by more than 1 per cent dealers expect heavy selling to develop.

LONDON

THREE-MONTH EURODOLLAR \$1m			
	Close	High	Low
June	90.27	90.30	90.25
Sept	89.53	89.57	89.50
Dec	89.17	89.20	89.10
March	88.80	88.83	88.70
Est volume	507 (1,565)		
Previous day's open	90.15 (5,504)		

CHICAGO

U.S. TREASURY BONDS \$100,000			
	Close	High	Low
June	89.00	89.01	88.99
Sept	88.00	88.01	87.99
Dec	87.00	87.01	86.99
March	86.00	86.01	85.99
Est volume	2,282 (2,282)		
Previous day's open	88.267 (76,336)		

STERLING

THREE-MONTH EURODOLLAR \$1m			
	Close	High	Low
June	106.11	106.12	106.10
Sept	110.00	110.01	109.99
Dec	110.00	110.01	109.99
March	109.00	109.01	108.99
Est volume	1,153 (1,132)		
Previous day's open	101.18 (2,079)		

JAPANESE YEN

THREE-MONTH EURODOLLAR \$1m			
	Close	High	Low
June	1.1905	1.2065	1.1905
Sept	1.1825	1.1985	1.1825
Dec	1.1810	1.1970	1.1810
Est volume	77 (100)		
Previous day's open	1.1765 (5,513)		

SWISS FRANC

THREE-MONTH EURODOLLAR \$1m			
	Close	High	Low
June	0.3776	0.3826	0.3776
Sept	0.3703	0.3753	0.3703
Dec	0.3630	0.3680	0.3630
Est volume	36 (15)		
Previous day's open	0.3624 (216)		

EURO CURRENCY

THREE-MONTH EURODOLLAR \$1m			
	Close	High	Low
June	1.1905	1.2065	1.1905
Sept	1.1825	1.1985	1.1825
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Previous day's open	1.1765 (5,513)		

EURO CURRENCY

THREE-MONTH EURODOLLAR \$1m			
	Close	High	Low
June	1.1905	1.2065	1.1905
Sept	1.1825	1.1985	1.1825
Dec	1.1810	1.1970	1.1810
Est volume	77 (100)		
Previous day's open	1.1765 (5,513)		

POUND SPOT-FORWARD AGAINST POUND

Day's spread			
Apr 9	Close	One month	Three months
U.S.	1.2065-1.2115	0.40-0.45pm	0.40-0.45pm
Canada	1.2065-1.2115	0.40-0.45pm	0.40-0.45pm
Netherlands	1.2065-1.2115	0.40-0.45pm	0.40-0.45pm
Belgium	1.2065-1.2115	0.40-0.45pm	0.40-0.45pm
France	1.2065-1.2115	0.40-0.45pm	0.40-0.45pm
Germany	1.2065-1.2115	0.40-0.45pm	0.40-0.45pm
Italy	1.2065-1.2115	0.40-0.45pm	0.40-0.45pm
Spain	1.2065-1.2115	0.40-0.45pm	0.40-0.45pm
Portugal	1.2065-1.2115	0.40-0.45pm	0.40-0.45pm
Sweden	1.2065-1.2115	0.40-0.45pm	0.40-0.45pm
Denmark	1.2065-1.2115	0.40-0.45pm	0.40-0.45pm
Finland	1.2065-1.2115	0.40-0.45pm	0.40-0.45pm
Japan	1.2065-1.2115	0.40-0.45pm	0.40-0.45pm
Australia	1.2065-1.2115	0.40-0.45pm	0.40-0.45pm
South Africa	1.2065-1.2115	0.40-0.45pm	0.40-0.45pm
Switzerland	1.2065-1.2115	0.40-0.45pm	0.40-0.45pm

OTHER CURRENCIES

Apr. 9			
	Close	One month	Three months
Argentina Pesos	435.16-435.70	362.49-362.70	362.49-362.70
Australia Dollar	1.8000-1.8050	1.4975-1.4985	1.4975-1.4985
Brazil Cruzeiro	5.474-5.503	4.566-4.580	4.566-4.580
Canada Dollar	1.2065-1.2115	0.40-0.45pm	0.40-0.45pm
Hong Kong Dollar	10.5-10.6	8.5-8.6	8.5-8.6
Indian Rupee	11.5-11.6	9.5-9.6	9.5-9.6
Iran Rial	11.5-11.6	9.5-9.6	9.5-9.6
Kenya Shilling	11.5-11.6	9.5-9.6	9.5-9.6
Malaysia Dollar	1.8000-1.8050	1.4975-1.4985	1.4975-1.4985
New Zealand Dollar	1.8000-1.8050	1.4975-1.4985	1.4975-1.4985
Saudi Arab Riyal	1.8000-1.8050	1.4975-1.4985	1.4975-1.4985
Singapore Dollar	1.8000-1.8050	1.4975-1.4985	1.4975-1.4985
South African Rand	1.8000-1.8050	1.4975-1.4985	1.4975-1.4985
U.S. Dollar	1.2065-1.2115	0.40-0.45pm	0.40-0.45pm

EXCHANGE CROSS RATES

Apr 9			
	Close	One month	Three months
Pound Sterling	1.2065-1.2115	0.40-0.45pm	0.40-0.45pm
U.S. Dollar	1.2065-1.2115	0.40-0.45pm	0.40-0.45pm
Deutsche Mark	1.2065-1.2115	0.40-0.45pm	0.40-0.45pm
Japanese Yen	1.2065-1.2115	0.40-0.45pm	0.40-0.45pm
French Franc	1.2065-1.2115	0.40-0.45pm	0.40-0.45pm

CAPITAL MARKETS

Cool reception for £200m Royal Bank of Scotland issue

ROYAL BANK of Scotland is rais-

BHF Bank bond average	
April 9	Previous
101.107	101.111
High	Low
1985	

were quoting an even wider discount.

That left an Ecu 70m, seven years' 9½ per cent issue at par for Credit Italiano as best performer among yesterday's crop of new issues. Led by Morgan Guaranty and Societa

General de Banque, the bank's first borrowing in the international capital markets and the proceeds are to be swapped in floating rate dollars.

pon on Fanuc's Y30bn convertible issue was cut to 1% per cent yesterday from an indicated 2 per cent because of heavy demand. The conversion premium has been set at 4.889 per cent. Also set were terms on the Y30bn issue for Sony, which is to bear a coupon of 2 per cent and a conversion premium of 4.76, while the Y15bn issue for Nissinbo has a coupon of 2% and a conversion premium of 3%.

been awarded a coupon of 2% and a premium of 5 per cent but remain the least popular of the recent new convertible issues.

Elsewhere the European Investment Bank has slipped in just ahead of today's expected launch of a FF 500m Eurobond by Gaz de France with a FF 1bn issue in the domestic market. Led by Cr dit Lyonnais, the 10-year paper bears a coupon of 11.9 per cent and issues at a price of 99.

The World Bank is raising 150m through a five year 7½ per cent issue priced at 99½ per cent lead manager Algemene Bank Nederland. Trading on German and Swiss markets was at a low ebb, but today should see the launch of DM 100m issue for Renfe, the Spanish railways, as well as SwFr 150m for TransCanada PipeLines and SwFr 50m bond for FGH, the Dutch mortgage company.

Stock		Sales (Hnds)	High	Low	Last	Chg
US Sur	.10e	473	21 1/4	21 1/8	21 1/8	
USTrk	1.20	58	13 1/8	12 7/8	12 7/8	
US Tr	1.20	80	27 3/4	27 1/2	27 3/4	+ 1/4
USStn	.20	422	22 1/4	21 3/4	21 3/4	
UnivTel		129	22 1/2	22 1/4	22 1/2	+ 1/4
UnivTote		16	11 1/4	10 7/8	10 7/8	- 1/4
UnivAb	.164	133	38 3/8	38 1/4	38 1/4	
UnivDev	.15a	17	21 1/2	21 1/4	21 1/4	
UnivFm		280	18 1/2	18 1/4	18 1/4	- 1/4

	1561	1403	1416	1439	-14
UnvHb					
UFSSB		94	94	94	-14
UnvRht	9	50	50	50	
UpnP	2	9	19	19	
UnvGr		5	5	5	
Unvate	.14e	218	51e	51e	

	V	V		
VJ	288	6	71e	71e
VLSJ	147	111e	11	11
VJAX	123	75e	73e	73e
VJdLdL	563	13	12e	12e
VJvFLS	244	171e	169e	169e
VJdL	1.20	1219	36e	361e
VJvL	.60	180	18	18
VJvL	.40	167	25e	24e
VJvD	.40	32	12e	12e
VJvS		6	71e	71e

Vanzeti		5	11 ¹	11 ¹	11 ¹	+ ¹
VanZr	.04	7	8 ¹	8 ¹	9 ¹	-
Varien	.60	3	14 ¹	13 ¹	14 ¹	-
VecorG		197	15-16	13 ¹	13-18	+2
VeloBd		122	19	18 ¹	18 ¹	+ ¹
Ventrex		244	3 ¹	3 ¹	3 ¹	- ¹
VfVnd	1.20a	1	30	30	30	-
Vena		456	5-16	1 ¹	1 ¹	-1 ¹
VenOF		18	2 ¹	2 ¹	2 ¹	+ ¹
VenS		516	26	25 ¹	28	+ ¹
VicardS		300	4 ¹	3 ¹	3 ¹	-
Vie	deFr 22e	9	12 ¹	12 ¹	12 ¹	+ ¹
Vikung		19	11 ¹	10 ¹	11 ¹	+ ¹
Vinabz		31	18 ¹	18 ¹	15 ¹	-
VnBact	.08r	5	7	7	7	+ ¹
VnVech		58	13 ¹	11 ¹	11 ¹	-1 ¹
Vtrem	t	1	5 ¹	5 ¹	5 ¹	-

		W	W	
W043	.88	44	20	191 ^a
W043C	.48	1	31 ^a	31 ^a
W043F	1.68	187	71 ^a	70 ^a
W043E	.5	58	18 ^a	19 ^a
W043S	.5	80	23 ^a	28 ^a
W043C	.12	23	11 ^a	12 ^a
W043S	.40	60	11 ^a	11 ^a
W043F	.44	3	15 ^a	15 ^a
W043E	.08	23	7 ^a	7 ^a
W043S	.08	212	9 ^a	9 ^a

[illegible]

		218	54	54	54	
Waco		315	74	74	74	-1
Wadon		143	7	34	7	
Wadon	1.55	61	37	36	37	+1
Wadon		589	11	10	11	+1
Wadon		40	14	14	14	+1
Wadon		57	8	8	8	
Wadon	.20	2345	14	14	14	
Wadon		4	34	34	34	
Wadon	.57	47	6	6	6	
Wadon		108	6	6	6	
Wadon	.88	81	20	18	18	-1
Wadon	.16	4	6	6	6	
Wadon	.80	5	12	16	16	
Wadon	.64	179	24	24	24	
Wadon	.15e	5	7	7	7	
Wadon	.80	32	23	23	23	

		X	Y	Z	
Yobac		201	5	4	+1 ₂
Xlor		236	8 1/2	8	+1 ₄
Xlor		236	10 7/8	10 7/8	
YlowPt		232	33 1/2	33	-1 ₄
Zornd	.48	4	13 1/2	13 1/2	-3 ₈
Zabraln		12	4 1/2	4 1/2	
Zorl	.8	145	26 1/2	26 1/2	
Zornic		202	3	24	-1 ₄
Zogler	.48 ₂	3	11 1/4	11 1/4	
Zorlt	1.24	1	36 1/2	36 1/2	
Zoyd		56	4 1/4	3 3/4	+1 ₂
Zondn		69	5 1/4	5	+1 ₂
Zondn	.34	128	9 1/4	8 1/4	+1 ₄
Zymoa		234	2 1/2	2 1/2	-1 ₄
Zymas		314	7 1/2	13-16	-7-16

100

Bank

Issue

Bank bond average	
	Previous 101.11%
1985	Low 89.840%

ing an even wider d
corporate names n
considerable appeal
ctors on the Europe
ut these have retreat
market as they are w
a possible drop in

an Ecu 70m, seven ye
issue at par for Credit
best performer amid
crop of new issues. L
Guaranty and Societ
e Banque, the bond
first baroque in the
capital markets are
to be swapped in
dollars.

uoy's market the co
Y20bn converted
ut to 1½ per cent yeste
indicated 2 per cent
yummy demand. The co
premium has been set
nt. Also set were trea
in issue for Sony, wh
amount of 20 per cent

ed a coupon of 2% and
5 per cent but remain

Sales (thous.)	High	Low	Last	Change
58	71%	21%	21%	
43	13%	12%	12%	
80	27%	21%	21%	+1%
129	22%	22%	22%	
111	11%	10%	10%	
33	38%	38%	38%	
17	21%	21%	21%	
260	18%	18%	18%	
281	19%	19%	19%	
94	9%	9%	9%	
9	5%	5%	5%	
258	5%	5%	5%	
21	12%	5%	5%	
388	8	7 1/2	7 1/2	
147	11 1/4	11	11	
583	13	12	12	
244	17 1/2	12%	12%	
284	17 1/2	16%	16%	
187	15	15	15	
167	25	24 1/2	24 1/2	
17	12 1/2	12 1/2	12 1/2	
6	7 1/2	7 1/2	7 1/2	
114	11 1/4	11 1/4	11 1/4	
3	14 1/2	13 1/2	13 1/2	
7	15-16 1/2	15-16 1/2	15-16 1/2	
122	12	12	12	
24	3%	3%	3%	
12	3%	3%	3%	

9	12 ¹ / ₄	12 ¹ / ₄	12 ¹ / ₄	
19	11 ¹ / ₄	10 ³ / ₄	11 ¹ / ₄	+ 1 ₄
31	18 ³ / ₄	18	18 ¹ / ₄	+ 1 ₄

36	17 ₄	11 ₂	1 ₂	-1 ₂
5	5 ₄	5 ₄	5 ₄	
88	11	107 ₈	107 ₈	
42	17	181 ₂	181 ₂	-1 ₂
118	301 ₂	303 ₈	303 ₈	-1 ₂
27	91 ₄	9	91 ₄	
22	71 ₈	71 ₈	71 ₈	
W W				
44	20	191 ₂	191 ₂	-1 ₂
1	313 ₄	313 ₄	313 ₄	-1 ₂
187	71 ₂	73 ₈	73 ₈	
58	193 ₄	191 ₂	193 ₄	+1 ₂
86	291 ₄	29	281 ₄	+3 ₄
59	713 ₄	111 ₂	111 ₂	
23	22	22	22	-1 ₂
60	113 ₄	111 ₄	111 ₄	+1 ₂
3	151 ₂	151 ₂	151 ₂	
2	73 ₈	73 ₈	73 ₈	-1 ₂

212	9 $\frac{1}{2}$	9 $\frac{3}{8}$	9 $\frac{3}{8}$	-1 $\frac{3}{8}$
61	13 $\frac{1}{4}$	13	13	-1 $\frac{1}{4}$
4	8 $\frac{1}{8}$	8 $\frac{1}{8}$	8 $\frac{1}{8}$	

8	10	18 ^{1/2}	18 ^{1/2}	16 ^{1/2}	
23	13 ^{1/2}	12 ^{1/2}	13 ^{1/2}		- 1/2
42	67 ^{1/2}	67	67 ^{1/2}		+ 1/2
57	11 ^{1/2}	11 ^{1/2}	11 ^{1/2}		
5	8	8	8		
1	7 ^{1/2}	7 ^{1/2}	7 ^{1/2}		
5	13 ^{1/2}	13 ^{1/2}	13 ^{1/2}		- 1/2
108	9 ^{1/2}	8 ^{1/2}	9 ^{1/2}		
9	23 ^{1/2}	23	23 ^{1/2}		- 1/2
10	17 ^{1/2}	17	17 ^{1/2}		- 3/2
101	24 ^{1/2}	24 ^{1/2}	24 ^{1/2}		+ 1/2
229	23	22 ^{1/2}	23		
	26 ^{1/2}	26 ^{1/2}	26 ^{1/2}		

218	53 ₄	53 ₈	53 ₈	- 1 ₈
315	75 ₈	71 ₄	73 ₈	- 1 ₈
145	71 ₈	69 ₄	7	

67	14 $\frac{1}{2}$	14	14	+ $\frac{1}{2}$
67	8 $\frac{1}{2}$	8 $\frac{1}{2}$	8 $\frac{1}{2}$	
2345	19 $\frac{1}{2}$	19 $\frac{1}{2}$	19 $\frac{1}{2}$	
4	3 $\frac{1}{2}$	3 $\frac{1}{2}$	3 $\frac{1}{2}$	
47	6 $\frac{1}{2}$	6 $\frac{1}{2}$	6 $\frac{1}{2}$	
108	6 $\frac{1}{2}$	5 $\frac{1}{2}$	5 $\frac{1}{2}$	
81	20 $\frac{1}{2}$	18 $\frac{1}{2}$	8 $\frac{1}{2}$	- $\frac{1}{2}$
4	6 $\frac{1}{2}$	6 $\frac{1}{2}$	6 $\frac{1}{2}$	
5	16 $\frac{1}{2}$	16 $\frac{1}{2}$	16 $\frac{1}{2}$	
179	34 $\frac{1}{2}$	24	24 $\frac{1}{2}$	
5	7 $\frac{1}{2}$	7 $\frac{1}{2}$	7 $\frac{1}{2}$	
32	23	23	23	
X	Y	Z		

201	5	478	5	+ 78
236	814	8	814	+ 14
584	1078	1058	1078	

12	$4\frac{1}{2}$	$4\frac{1}{2}$	$4\frac{1}{2}$	
145	$26\frac{1}{4}$	$26\frac{1}{4}$	$26\frac{1}{4}$	$+ \frac{1}{4}$
202	$3\frac{1}{4}$	$2\frac{1}{4}$	$2\frac{1}{4}$	$- \frac{1}{4}$
3	$11\frac{1}{4}$	$11\frac{1}{4}$	$11\frac{1}{4}$	
1	$36\frac{3}{4}$	$36\frac{3}{4}$	$36\frac{3}{4}$	$- \frac{1}{4}$
56	$4\frac{1}{4}$	$3\frac{3}{4}$	$4\frac{1}{4}$	$+ \frac{1}{2}$
69	$5\frac{1}{4}$	5	5	$- \frac{1}{4}$
128	$9\frac{1}{4}$	$8\frac{3}{4}$	$9\frac{1}{4}$	$+ \frac{1}{2}$
234	$2\frac{1}{4}$	$2\frac{3}{8}$	$2\frac{1}{2}$	$- \frac{1}{4}$
314	$7\frac{1}{8}$	$3\frac{1}{4}$	13-16	$- 7-16$

FINANCIAL TIMES SURVEY

PROBLEMS AND MATERIALS

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OFFICES AND SHOPPING

A sad inheritance and retail renaissance page 3

HOUSING

Red tape, Catalysts and transformation page 4

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INDUSTRY AND LEISURE

Factories die and a People's Palace is reborn page 6

Editorial production David Lawson

Refurbishing

As new building slows, more time and money is being spent on renovation of older buildings to meet the demands of new technology and the need for greater efficiency

Countering the ravages of time

BY WILLIAM COCHRANE

DEPRECIATION in the condition and value of buildings has become a central concern to many owners and occupiers, bringing refurbishing into the mainstream of investment considerations and providing a thriving field for the construction industry.

The Centre for Advanced Land Use Studies, based at Reading, is about to start a major study on depreciation.

Refurbishing will be an important part of the study, says Mr John Leonard, the centre's director. The new work was prompted by research on information technology, which indicated rising demand in the City of London for big floor areas, implying the need for reshaping buildings.

The centre is also involved in the retail sector. It organises the International Council of Shopping Centres European conference, which in 1983 and 1984 concentrated on refurbishment.

On the industrial side, high tech and its imitators are doing their best to supplant the industrial shed, but refurb may not have such a large part to play here.

Renovation is also increasingly recognised as important in determining the worth of property assets. Mr Michael Mann, of surveyors Drives Jones, says in a paper The Added Value of Refurbishment that valuation of property assets has taken no account of the need to inject new capital periodically so the investment maintains its initial potential.

To an increasing extent these days fear has become one of the main inducements to refurb. Without it, and given the competition for more

advanced buildings, existing property will lose value.

"The main reason for refurb is not to make money, but to stop losing it. Depreciation of property is going to blow up in our faces if we don't do something about it," Mr Leonard says.

Mr Finn adds: "Gone are the days when a 21-year, fully repairing and insuring lease with seven-year rent reviews represented a blue chip office property investment. Gone also are the days when location alone was the deciding factor in terms of lettable and rental income."

"Now the quality of the building and the cost of future refurbishments should have as much, if not more, impact on the initial yield."

Refurbishment can range from minor internal or external facelift operations to transformations of buildings.

Property involved may span a wide range in terms of age, condition and location.

"Due to this complexity, we do not believe it realistic to try

to develop a common method or a set of house rules which could be applied to all refurbishment projects. It is essential to analyse each project and make a response based on its own requirements and merits," Mr Ali Oveer of the GMA architectural partnership observes.

Why refurbish rather than knock down and start again? Mr Sylvain Reinhold, a partner of PMI, the largest independent UK firm of project managers, believes there are three real questions: "Is refurbishment cost-effective? Is it quicker? Does it provide and satisfy end products?"

"However complex a refurbishment project is in building and refurbishment terms, it is usually about half the cost of rebuilding from new. This is because the basic building fabric, sub-structure, super-structure and infrastructure are retained and do not become part of the development costs."

"It follows that a refurbishment programme must be

quicker, as these elements are included in the overall time scale. The construction time is directly related to overhead costs, and is therefore a cost effective way of development."

Economics can justify schemes involving complex, innovative techniques, such as demolishing internal supporting structures to create open office space.

Sea Containers House on the south bank of the Thames in London is an example. The building was planned as an hotel but never completed. Work is now going on to chop out the structural bedroom walls and insert a steel frame, providing open office areas. The building contract comes to about £15 a sq ft, half the rate in the City on the opposite north bank.

Preservation too is more and more a factor encouraging refurbishment, but commercial property development, new or refurbished, will not be undertaken unless it is profitable.

Some buildings are worthy of retention while others seem to have little history and architectural style to commend them. Whatever the merits, if they are in the right place, such as the City of London, there should be enough potential in the prospective rent to justify refurbishing.

Mr Glen Honey, of surveyors Jones Lang Wootton, points out another reason for refurbishment in the City. "A lot of office buildings have higher plot ratios (proportion of floorpace) in relation to the size of the site than you would get under existing legislation," he says.

Mr Neil Holmes, also of J.L.W., adds that office tenants in London are more ready to accept Victorian or Georgian buildings. "They have a presence."

"In the provinces there is greater resistance. Tenants want a 1980s image and will pay for it," he says.

Another factor is that rents are lower outside the south-east so office refurbishment is often uneconomic.

This geographic argument carries much less weight in retailing. Refurbishing tends to be concentrated on public areas of centres and costs for upgrading selling space are less than for offices.

Retailing provides further examples from the experts on why refurbishing may be an advantage — or a necessity. At the Arndale Centre in Doncaster, for instance, architects Leslie Jones are having to work around existing traders and shoppers to do their upgrading.

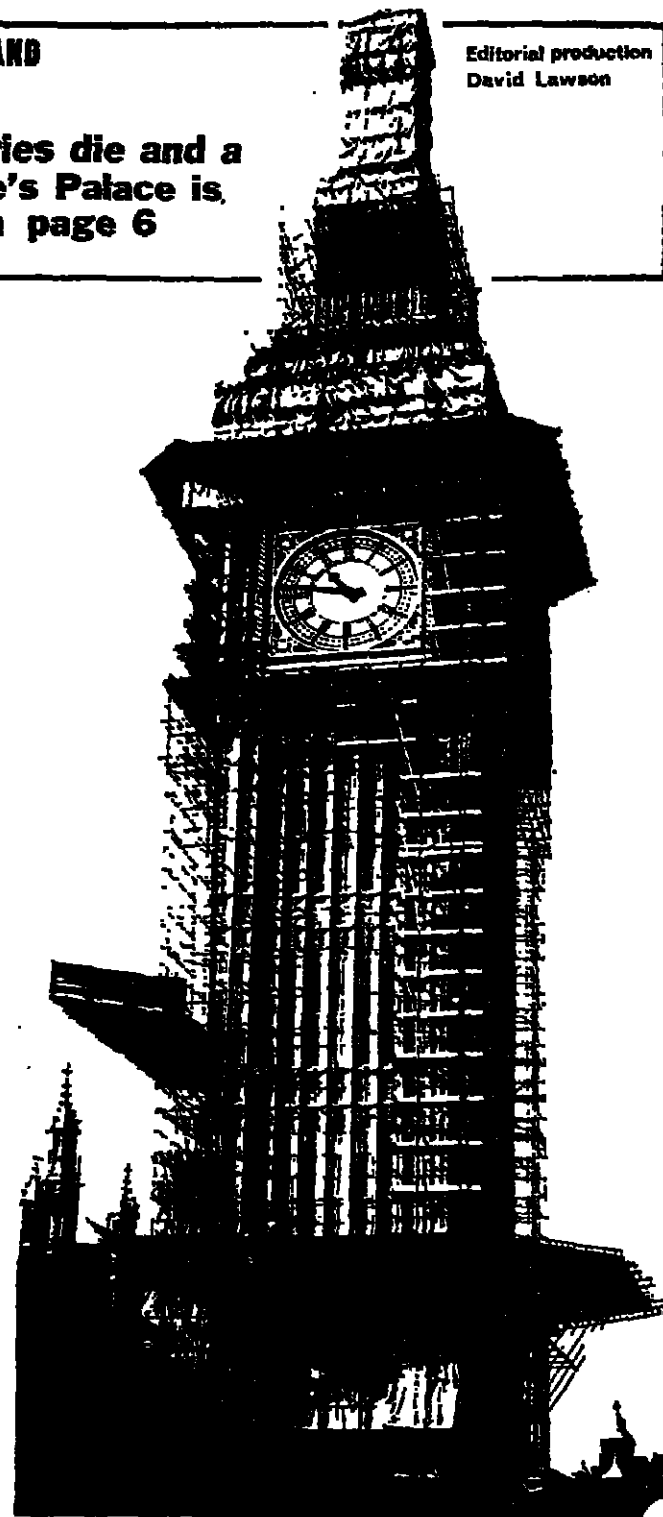
Shops may be trading successfully below an office building in need of drastic surgery. That limits the option to renovation because the shops have to be retained.

In both cases, another advantage of refurbishing comes out. Rental income can be maintained while work is phased in projects rather than facing a lengthy void during a complete rebuild.

In industrial property, the arithmetic is beginning to go the other way. Low rentals and a growing preference for high office content property is making it more economic to demolish obsolescent space and rebuild.

Mr Bill Baker of Slough Estates, which includes among its assets the 7.6m sq ft Bath Road Estate in Slough, says: "We are coming back in favour of redevelopment from the refurbishment policy we had up to a couple of years ago."

The Bath Road Estate has a lot of old stock, indicating the need for refurbishing to maximise current income. But future income requirements suggest a trend to replacement with high-tech premises.



A cobweb of steel shrouds the world-famous profile of Big Ben as extensive refurbishing is carried out on the Victorian facades of the Houses of Parliament.

ENERGY BLUEPRINT

Energy efficiency at work

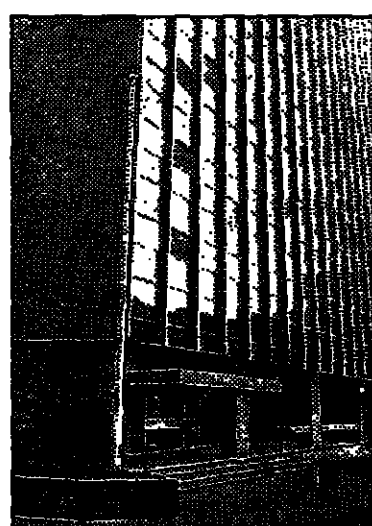
An analysis of competing heating and cooling systems for refurbishing a nine-storey office building recently showed that electric heat pumps combined with overnight storage would save 41 per cent in energy costs — the highest saving of all the options considered. Having chosen the most efficient system for the job — three heat pumps backed up by two 17,500 litre heat storage vessels — the client was able to take possession of the completed installation just four months after his decision.

The system was needed as part of a modernisation programme for offices in Warwick Row, London. A 20-year-old district heating scheme, which serves nearby buildings, had been providing high temperature hot water in winter and summer for the Warwick Row building. It provided the heat needs in winter and cooling, via an absorption chiller in summer. Calculations showed that, if this building was disconnected, the district heating system could be operated more efficiently. So an energy cost analysis of the different options in upgrading

the plant was undertaken by Carrier Air Conditioning Limited. This showed that various systems could cut costs drastically — the electric option most of all.

Three large air-to-water heat pumps were installed on the flat roof. These are linked to the primary air supply plant and also to the two-pipe induction system. In summer, at an ambient of 30°C, the heat pumps have a cooling output of 504 kW when supplying chilled water at 7°C. In winter, at an ambient of -1°C, they have a heat output of 381 kW providing hot water at 50°C. Supplementary heating for the existing air conditioning system is supplied by two thermal storage vessels. These 17,500-litre vessels are located in the ground floor car park. They hold water at 63°C and are recharged overnight by electrode boilers using off-peak electricity.

The system has automatic controls, closely matching performance to need. This precision in performance, together with speed of installation, were major attractions in their own right. Allied with



Refurbished offices in Warwick Row, where actual energy savings were greater than expected — 48 per cent in the first year.

Impressive savings in operating costs, they add up to a powerful argument in favour of electric heat-pump-based environmental systems — an argument conclusively won at Warwick Row by the consultant's detailed economic analysis. For further information tick box No. 1.

Heat pumps—today's comfort in yesterday's buildings

A disused Victorian warehouse has been converted into high-quality offices for Sytner PLC, a Bradford-based engineering holding company. The warehouse conversion included provision for a conventional heating and air conditioning system and space for a boiler room. However, there was a drawback in that, as a listed building, the warehouse exterior could not be altered — so no external flues could be added. While suitable heating and cooling systems were being considered, the company became interested in the energy conservation aspects of heat pumps and asked the architect to obtain details. Yorkshire Electricity Board was asked to carry out a feasibility

study for various heating and air conditioning methods, indicating capital costs and estimated operating costs. As a result, three energy-efficient electric heat pumps were installed in the three-storey offices.

In winter, the heat pumps keep the offices warm and comfortable by utilising outside air as a heat source. In the summer, or when internal temperatures start to rise too steeply, the heat pumps can be used to cool. Switching from heating to cooling is automatic. An attractive feature of the system is that each floor can be heated or cooled separately, so the ground floor computer suite can be cooled while offices on the top floor are heated.

Installation has been neat, unobtrusive and space saving. The 26m² allocated for a boiler room in the original plan are now used as additional offices, much to the satisfaction of the company. No boiler or plant room was necessary as the outside condenser units of the heat pumps are installed out of sight beneath the entrance steps and the air handling units are at high level in cloakrooms and storerooms.

The company is delighted with the heating and cooling systems particularly as the group now manufactures a range of compressors for refrigeration and heat pump applications.

For more information tick box No. 2.

LOOKS AT REFURBISHMENT

Economic electricity stores up a warm welcome

To extend their trade all the year round, the owners of a small Devon hotel needed to improve their heating. They specified electric storage heating because it would be economical to install and run. Another factor was the need to avoid any unnecessary disturbance to the building fabric. As a listed Georgian building, the Laston House Hotel at Ilfracombe has elaborately decorated ceilings and an original Adam staircase.

The owners, Jim and Anne Biggin, were well satisfied on both counts. "The storage heaters were fitted in so easily without any mess or disruption. It all went as smooth as silk."

As for economy there was a £6,500 saving over the alternative installation of a fuel-fired system. The running costs have turned out very reasonable, too, with automatic controls and by using low night rate electricity. The cost of heating the whole building throughout the year 1981/82 amounted to less than £1 per week for each lettable room.

Electric storage heating: the basic advantages

Uses low-cost energy stored at night for day-time use.

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Capital costs are often much lower than the traditional alternatives.

Flexible systems can be arranged for the smallest shop, the oldest hotel or the most modern office building.

Does not tie up money and space simply to store fuel.



Laston House Hotel where storage heaters provide clean, reliable warmth.

Any need to adjust the heaters frequently by hand has been overcome with energy-efficient controls. An outside sensor automatically regulates the overnight charge to the heaters according to the external temperature.

Now, with the new system operating, the hotel offers a warm welcome throughout the year. A relatively small investment has assured returns in comfort and economy for both the hotel owners and their guests.

For more information tick box No. 3.

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Refurbishing 2

Few renovations are simple, and some provide stiff challenges

Horrors beneath the surface

Problems

MIRA SAR-HILLEL

ONE OF the clichés of the refurbishment business is the beautiful old building discovered to be held together by generations of wallpaper. The image is popular because it illustrates the nub of the problem: one never knows what structural horrors may be lurking behind a respectable surface.

The problem is particularly acute in the areas where activity is greatest, the City of London and Westminster, where most buildings are listed or within conservation areas. In Westminster alone, some 8,000 buildings are listed, and this number is expected to grow to more than 11,000 when the GLC's Historic Buildings Division completes a review this year.

Demolishing

In the City contractors' problems often begin even before that first layer of wallpaper is removed. For instantly archaeologists have become almost a part of the construction team. Normally, digging takes place between demolition and construction. But when Trollope & Colls (City) were appointed management contractors of the £1.8m redevelopment of 27-30 Lime Street they decided that the Museum of London team would move in once the main frame and ground floor had been erected, so building work could go on above while the digging continued in comparative safety below.

Further challenges followed. Retaining the facade while demolishing the back was not made easier by the City Council's prohibition on the use of

external gantry support. T & C had to design a temporary steel frame supported on temporary piled foundations.

Access was available only from ground floor level, so a tripod rig had to be installed to carry out piling through the basement. Once the casings had been sunk, the steel joists were lowered into place, the piles concreted and the braced frame erected.

Additional extensive underpinning was also required to prevent the facade collapsing while the basement retaining walls and sub-basement were erected. The severe restrictions on site meant demolition had to be done by hand. Sinking the 32 piles for the permanent steel frame was additionally hampered by the temporary support. The main frame had to be threaded through and constructed around the temporary one.

This case, where the building was rebuilt with only the facade remaining is typical of one extreme of refurbishment. It does, however, share common problems with less comprehensive jobs—the main one being waste disposal. A first-floor gantry spanning Lime Street, removed the waste, which was stored until convenient to pass it by chute into lorries in the road. The lorries could come and go only within permitted periods—another big headache for City contractors.

● Queens House, Leicester Square, is a Victorian wonder—a seven-storey structure with ornate facade and no foundations. When Wimpey took on the £3.7m refurbishment the site agent marvelled that it had survived the blitz.

The more he investigated, the more he marvelled. Built in 1897 as the Queen's Hotel, it changed in 1936 to a warren of offices above and an ever-changing series of cinemas and shops below. This played havoc with the stone facade, which

according to the laws of physics should not still be standing. Nearly 150 piles were bored 18 metres into the London clay and the adjacent cinema's foundations were underpinned 1.5m to a depth of eight metres. Four cast iron columns which were part of the original structure had to be propped, then inched from under the main spine walls to be replaced by a steel and concrete structure.

Altered

The facade was in remarkably good condition and stabilising was all that was needed to remove a century's grime.

● During a High Street shop conversion in Brixton, the tenant backed out of taking 14,000 sq ft when the work was half finished. The developer, unable to find a replacement, decided to form a covered market instead—to be ready by the same target date.

Building surveyors Watts & Partners faced quite a problem. The 1920s shop front had to be altered and the two floors linked by an open well to give a market feel. Stalls selling hot food were suddenly needed with mechanical ventilation. Fire sprinklers and other services had to be reworked to suit the new use and layout.

One difficulty was taking the extra ventilation duct up through three storeys of office tenants who did not wish to be disturbed. Mr Michael Ridley, senior project surveyor, said the problem caused much head-scratching and consultations with the fire officer, health officer and district surveyor so the work could be completed on time—and there have been no claims for disruption.

● Small contractors cannot afford to turn away work, especially residential, which has its own problems. Mr John Fellows, a manager and quantity sur-

vveyor with V French, points to twin headaches: designers are often too optimistic, and owner-occupiers too emotionally involved.

It is also often impossible to give an accurate cost estimate. This makes life difficult for owners who normally pay for the work, and sometimes cannot exceed budget. The contractor can end up taking the blame when things go wrong, so there is little profit in refurbishment of old London houses.

Mr Fellows says the problem could be alleviated if owners had comprehensive structural surveys conducted before commissioning artistic architects to create dream homes.

● Problems can also plague those who care for great country houses. For instance, faults in the ceiling of the picture gallery at Corsham Court in Wiltshire, home of the Methuen family, were not suspected until a 12 ft section crashed down.

Architects Fielden and Mawson and their contractors Lovell Special Works erected a complex support for the remainder of the historic ceiling while investigating the fall and identifying the culprit—death watch beetle in the plaster laths of the 17th century beams.

The gallery was designed by Capability Brown in 1760 using seven unconventional composite oak beams nearly 29 ft long. In 1916 two beams cracked, and a temporary repair was done. Fielder and Mawson decided to improve the structure with 1980s technology.

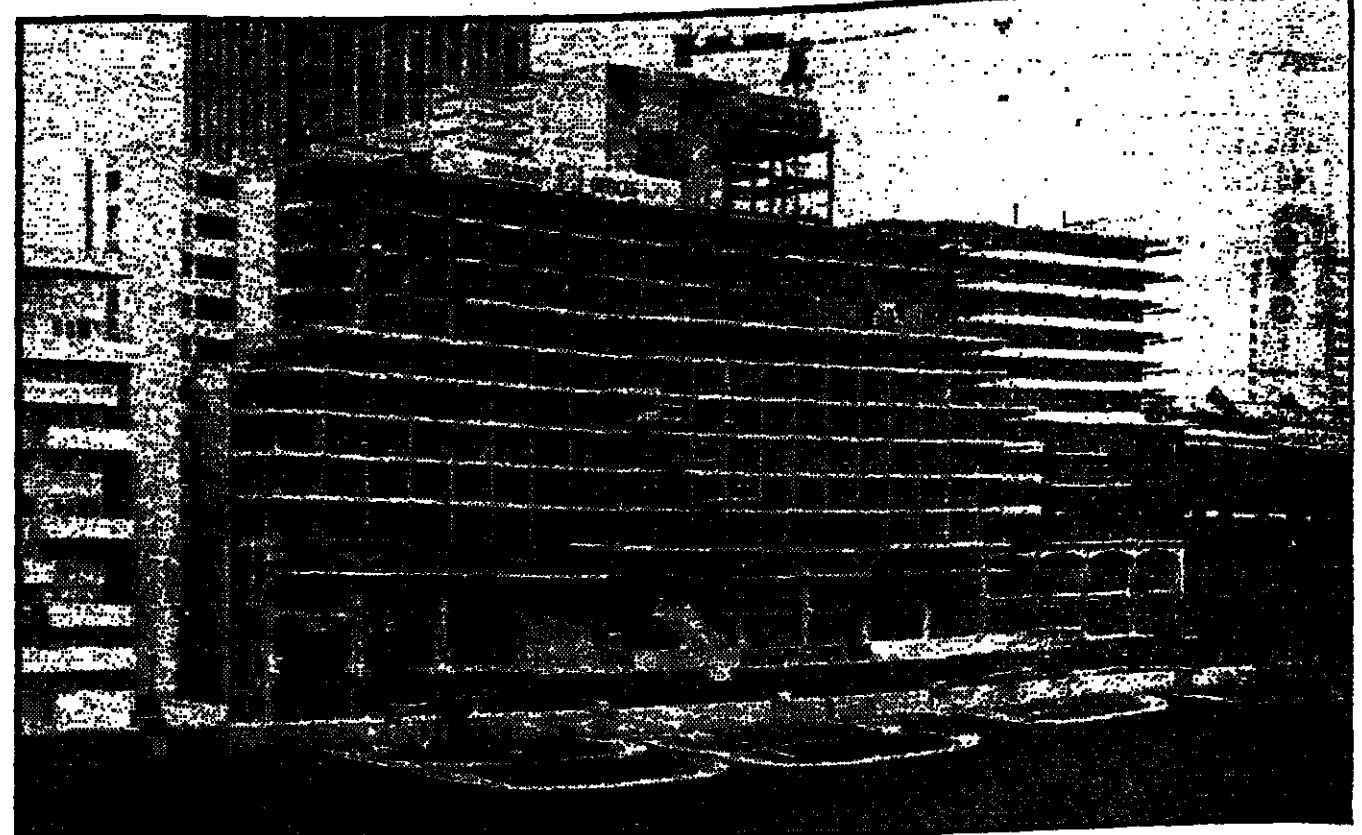
Beetle infestation was found to have spread to window frames and the ends of some roof trusses. Another discovery typical of historic homes, found some window frames were only partly supported with internal brickwork.

The architects' first proposal, to replace timber beams with steel, fell foul of the grant-

making authority on historic grounds—yet another common obstacle. The method finally agreed involves undercutting sections of the thick perimeter walls so that steel stools could be set on concrete pad stones on which the ends of the 14 steel beams rest. These were secured to the original beams via a grid of steels and yokes.

Overall, some 14 tonnes of steel and a tonne of bolts were hoisted in through the window.

One of the worst problems of stately home refurbishment is that it is never self-financing. Land had to be sold to pay for the 18-month Corsham Court project.



Sea Containers House, an unfinished hotel block which has dominated the south bank of the River Thames since the late 1970s, is being transformed into 300,000 sq ft of open-plan offices through the removal of bedroom walls which held up the building and the gradual insertion of a steel frame.

The £25m scheme, overseen by Project Management

International, also involves flattening out the formerly sloping facade, stripping off balconies, adding two floors and rebuilding structural lift shafts.

With all this expense, Sea Containers still expects rents of about £15 a sq ft, half the rate of the City on the north bank. A substantial letting has already been made to RLS, the computer company.

David Lawson

Fragmentation holds back change and development

Materials

CHRISTOPHER MANSELL

PRE-WAR buildings were designed to last up to 100 years and more, but today 25 years is an acceptable life. Shorter life spans have created a dominant need in the materials market for flexibility.

The construction industry is so fragmented, however, that change and development of materials is held back. The traditions of the labour market and of manufacture have meant that the UK market has been slow to respond.

Take, for example, the simple window. The British tradition was for a manufacturer to supply a frame, opening sash and hinges to supply the site. The contractor added glass, weather stripping and operating gear. According to Mr Anthony Hill, head of the Property Services Agency's product quality unit, "The concept of the full window assembly was never thought about."

In the mid-1960s, the development of the aluminium window led to the supply of complete sets but with unsuitable fittings.

These practices led to heavy import penetration, particularly by West German manufacturers who started with an operating system around which was built double or treble glazing, high performance weather sealing, corrosion protection and adjustable fixing bolts.

The final persuader for British manufacturers after 10 to 15 years of cajoling from the PSA and other clients, was the invasion of PVC windows, also from Germany, where the PVC market had reached saturation in the late 1970s.

Nevertheless, Mr Hill says that at last year's Interbuild exhibition he counted over 30 German PVC window stands and about three UK ones.

Deterioration

The impetus for such development, however, comes from a number of sources. Mr Graham Love, of surveyors Jones Lang Wootton, says there has been "a revolution in expectations" since the war. "This was matched by a deskilling of construction labour, which created demand for more easily installed products. Recession in the construction industry also boosted the search for added value in materials."

Brokers Savory Milin say: "Purchaser awareness of standards and expectation of finish have been enormously lifted by the growth of consumerism... and the growing surplus of existing homes over households."

Mr Love points out the demand for refurbishment comes less in the commercial and industrial market from physical deterioration than from the accelerated rate of obsolescence of space. Buildings from the 1960s are ripe for refurbishment because of increased demand for services like air conditioning, computer rooms, advanced telephone exchanges and the attendant wiring, and the call for more temperate climates.

But the choice of materials used is conditioned by their cost-effectiveness. Landlords want a healthy return. Therefore, there is a requirement for factory-made products. Natural slate on roofs gives way to a concrete or asbestos-based product; asbestos for lagging is replaced by glass fibre minerals.

At the same time as obsolescence has affected buildings, refurbishment itself requires the elimination of maintenance, as far as is practicable.

Roofing, felt-based on asbestos or lead for example, was susceptible to temperature

change and its elasticity was nominal, giving it a life-span of only about 15 years. Hence, bitumen polymer materials were developed.

Much refurbishment work relates to the need for both heat and sound insulation. Once windows have been replaced with double or secondary glazing, for instance, there is an ability to control internal environments but air conditioning creates a need for suspended ceilings to carry ducting and mineral fibres have been developed as a lightweight load-bearing material.

Composite materials have also become more prevalent, where industrial roofing combines in a sandwich—a top sheet, insulating material and a bottom sheet. Internally, similar sandwich materials are used for partitioning, combining an integral vapour barrier, insulation and finishes.

Engineering

Some materials have changed to cope with the inadequacies of building systems. The aluminium sheeting roof came into favour because it required fewer joints than flat asbestos roofs which were prone to leaking. The discovery of how to fuse plastic powder into coatings has led to nylon-coated ironmongery and balustrading that is cheaper and cuts out on-site operations.

Claddings are another example of the way that refurbishment has turned from a craft-based industry to one that is technology based; more akin to an engineering exercise. Here, profiled, very thin aluminium sheeting with a factory finish is often used for plant rooms on roofs, a demand created by air conditioning.

Other materials have made a comeback. Under the London Building Acts, chipboard was designated inadequate, because dampness made it swell and lose strength. Now proprietary makes have been introduced and these will bear loads in jacked platform floors.

"It is only with the benefit of hindsight that materials fall by the wayside," says Mr Love. "There are no prototypes. Investors are looking for tried and tested building."

In some repair functions, for instance, concrete and cement mediums have been replaced by fibreglass, fibrous plasters and glass-reinforced cement. This is because of the ability to mould and form them, and evolved out of the lack of traditional crafts.

Often, changes in materials and products are not technology-driven. "A lot of buildings put

up 15 or 20 years ago," says Tony Denison, managing director of The Centre for Construction Market Information, "have reached the stage where equipment needs replacing. All parts of the industry are beginning to look at replacement."

In the South-East of England, it is estimated that 40 per cent of central heating installations have reached the end of their lives. Central heating was one of the great stimuli in refurbishment in the housing market.

The market grew in the late 1950s as a result of developments in boiler and radiator technology, and as fuel suppliers tried to find new outlets for oil and gas discoveries and the coal industry.

Central heating immediately begged the question of insulation, but it was not until the spur of the miners' strike and the fuel crisis in 1974 that both Government and householders began to take the question of energy conservation seriously. Even then markets were slow to develop. In 1975 the Government set aside £25m for loft insulation of which only £14m was claimed.

Cavity wall insulation was another result of the fuel crisis. In the early 1960s it had been regarded as a tool to deal with condensation and more often than not used formaldehyde foam which was manufactured and injected on site.

In 1975 the market nearly ground to a halt as it was discovered that filling cavity walls contravened the Building Regulations, and there were doubts about the toxic effects of foam.

Scarcity

Since then, a market has developed for mineral fibres, which are dry and manufactured in factories, giving better quality control. In the past few years expanded polystyrene beads have entered the market. The trick in the refurbishment materials market has, according to Mr Love, been "to find ways of overcoming nature's problems of cost, scarcity and workability."

The move to new technologies has been forced not so much by the advance of the technologies themselves, but by the need for cost-effectiveness.

If prefabricated products are the order of the day and if dry construction is superseding wet work, it is because of the need for speed of construction. Thus materials move further down the line towards the factory, and the further the industry goes down that road, the more difficult it is to turn back.

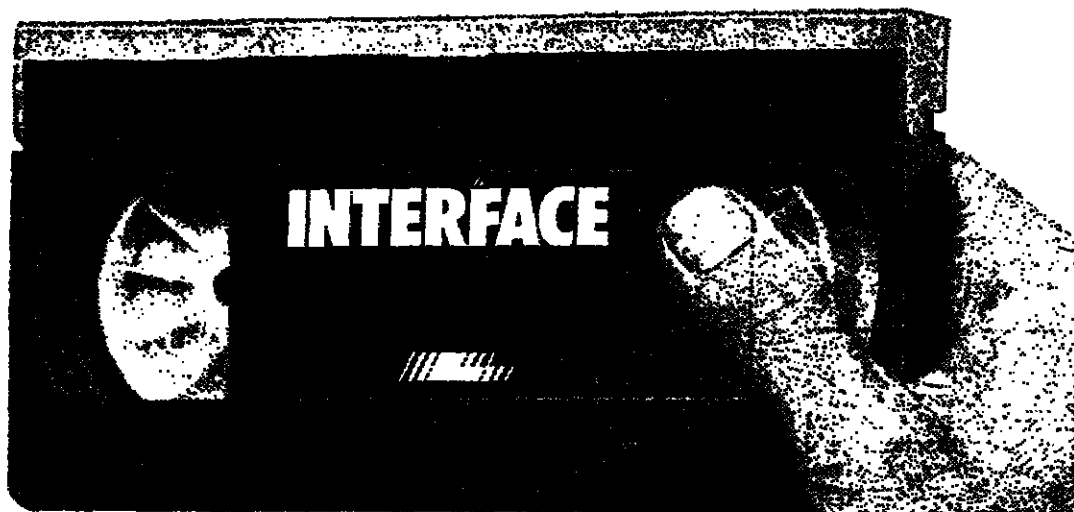
In refurbishment 'possession' is nine points of Lovell's Law.

Increasingly, 'possession' is becoming a key factor in refurbishment. Working in occupied premises often involves phased construction, unsocial hours, special security and above all a sensitivity towards the building's users. It's a world where minimising noise and nuisance is as important as tight programmes and cost effectiveness.

Offices, banks, airports and hospitals are typical examples.

Indeed, 'possession' is only one aspect that often makes refurbishment more of a challenge than new construction. It's a world where words like 'relationships', 'craftsmanship', 'experience' and 'track record' take on a special significance.

And talking of track record brings us to 'Interface', the new Lovell video on refurbishment. It looks at the technical, managerial and cultural questions that lie on the interface between the old and the new—and one single message emerges. What it is, should be of interest to occupier and developer alike. The video is helpful viewing for anyone in the difficult realm of refurbishment.



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Refurbishing 3

Major surgery for a sad inheritance

Offices
DAVID LAWSON

RENOVATION of office buildings is not a new phenomenon. The construction industry has enjoyed a steady business over the years altering and repairing the large number of office premises which date from pre-war times back to the Georgian era in Britain's town centres.

In the last decade, however, the amount and the nature of this work have changed radically, turning a relative fringe activity into a core concern for the construction and property industries.

Several broad factors have brought about these changes. Firstly, the amount of new building work has declined, making the renovation sector relatively more important. It is difficult to gain an accurate picture as official figures are amalgamated into a general total for repair, maintenance, renewal and improvement for all private non-housing output, but this global sum grew from about £1bn a year in the mid-1970s to about £1.5bn in 1984.

This change came partly from economic recession and partly through a tougher line by planners and conservation groups against demolition and rebuilding. Existing buildings had to be remodelled if they could not be rebuilt, which led away from just tinkering with premises towards complete gutting and reshaping.

At the same time, fundamental changes were taking place in the property market which led both landlords and owner-occupiers to seek substantial alterations in their buildings. The electronic office, with all its cabling and ventilation needs, could not usually be accommodated in repaired old buildings. Major surgery was needed to create efficient and lettable premises.

The recession also meant weaker demand for space, so landlords had to create better standards to entice tenants and strengthen rent values in competition with newer buildings. Intensive management of build-

ings in this way had become the norm by the 1980s.

Mr Michael Warner, of surveyors Richard Ellis, compares this attitude with the boom years of the 1960s when developers showed little concern for building quality in the face of uncritical tenants. "This has bequeathed us a sad inheritance," he says.

Many of the familiar blocks built at this time are already obsolescent, victims of poor materials, bad building techniques and inadequate servicing. These could be ignored by landlords when tenants were tied into long leases requiring them to pay for repairs and find someone else to take the space if they left. But many of these leases are now ending.

Many buildings have no historic value but other factors can come into play in favour of refurbishing. Some might not be granted planning permission for the same use if rebuilt, and many would not be allowed to squeeze the same amount of lettable space on to the site. Phased renovation can also offer landlords a continuous income if work can go on around tenants.

Paramount

Cost is not always the most important factor weighing in favour of refurbishing, however, says Mr Ted Watts, head of building surveyors Watts & Partners. A good environment—particularly for the huge proportion of owner-occupiers—is often more important.

"Refurbishment is not always a second-best choice. People grow into buildings. When they no longer quite work or the occupant's needs change, most people just want to improve and adapt."

For the investment sector, however, cost is paramount. Refurbishment can occasionally cost more per sq ft than new building, without the benefit of winning a new scheme's rent levels.

Refurbishing costs of between £50 and £55 a sq ft are quoted by quantity surveyors E. C. Harris on three typical central London buildings built between 1800 and 1920. But even one only 35 years old worked out at £46 a sq ft. This compares with an average £75 to £85 a sq ft for a new building.

Fitting a stripped out floor in an old building comes no cheaper than a new one, however. The cost index produced by Space Planning Services puts this at about £85,500 for a typical 5,270 sq ft floor, with extras on top for reception areas, toilets, furniture and telecommunications.

Landlords recover basic fitting out costs through the rent. This raises the hackles of many tenants.

A particularly strong critic within the industry is Mrs Joan Aubrey Jones, chairman of space planners Organised Office Designs. "Apart from a very few honourable exceptions, speculative office refurbishments are generally cosmetic—expenditure on a sprat to catch a mackerel," she says.

Spending by developers tended to be on things which agents said were essential to attract tenants. She quoted cheap ceilings and flooring, elaborate reception areas, inflexible air-conditioning.

"Large sums are being spent on updating offices without considering eventual tenant needs," Mrs Aubrey Jones says. "It is not unusual to have to strip out all the developers' finishes—ceilings, lighting and floor covering—to provide not only for the requirements of new technology, but also for basic needs like tea machines."

She feels refurbishments should provide basic needs for the electronic office—such as uniform cable grid, low-energy lighting which avoids glare on video units—or premises should be left in existing conditions to await the incoming tenant who knows his needs.

Watts and Partners back that stance with the suggestion that buildings should be made structurally sound then fitted to a particular tenant's requirements.

There have been moves towards this "shell standard" development, but as Mr Warner of Richard Ellis points out, many tenants cannot judge a property unless they see it finished.

Developers are generally left in great difficulty deciding the level of services they should provide, particularly when technology is changing so fast. A couple of years ago raised floors were considered essential to provide for electronic cabling



▲ ABOVE

and this sometimes ruled out viable refurbishing because of extra costs or sheer lack of space. Now flat wire cabling laid beneath carpets is becoming possible.

This mental juggling extends to all the various parts of buildings which age at different rates and require replacing separately rather than in one big refurbishment. Lifts, for instance, can have a life as short as five to 10 years, boilers 10 to 15 years and curtain walling 20 to 25 years, Mr Warner says.

Owners and occupiers are learning from the intensive study of refurbishing that they must time their leases and work programmes carefully in the light of these future outgoings. "Life-cycle costing" has become a catch phrase, covering not only today's running costs but future capital liabilities.

Builders and developers should also be learning from this process of decanting new wine into renovated bottles that buildings have to be designed with the expectation of refurbishment within the medium term. There are still nagging doubts that today's refurbishments are not following this rule and before long they will be as obsolescent as the glass towers and Victorian piles of the past.

LARGE strongrooms and vaults are often no longer required in modern banks, so where older buildings are being renovated new uses may have to be found for the space.

This is particularly prevalent in the City of London, where banks are congregated and refurbishment common because of planning restrictions on development. For example, the oldest bank premises in the City, 68 Lombard Street, is being rebuilt by Higgs and Hill and architects Whinney Mackay-Lewis for Banque Paribas.

The strongrooms have been transformed into offices and dining rooms overlooking an atrium in the heart of the building. An internal gallery will run around a courtyard open from ground to second floor. Stone cladding, glazed screens and an artificial sky aim to create a quiet, restful atmosphere.

William Cochrane

Some essential considerations

THE chairman of developers Teesland, Mr Martin Cohen, provides some essential considerations for shopping centre refurbishing. Early introduction of a centre manager with good administrative experience. Where economically feasible, plans should be made to provide cover and protection for shoppers. Upgraded finishes, new design concepts, modern small furniture and landscaping—providing an identity for the centre—plus ventilation and heating, if not air conditioning.

Consideration of main pedestrian flows, which may mean relocation of tenants, and an invitation to big retailers to upgrade stores. Substantial breaks in shop fronts should be masked with showcases or other features. Extensive frontages should be broken by installation of new shop fronts. Public participation, such as competitions for children, promotion of group activities and special promotions for holidays.

Eating and leisure facilities. "The longer people stay within the centre, the greater the prospect of increasing their spending." Standardisation of leases, and flexibility on letting terms and opening hours. Modern car park designs. The disabled must be accommodated. Ramps, lifts and other means of entry and exit should be incorporated, as should floor finishes and gradients consistent with special requirements.

Reshaping gathers pace

RETAIL refurbishment burst on the European development scene two years ago like a bright light in a murky world. Town centre development was almost saturated while out-of-town shopping in the UK at least—was more or less a fragmented appendage to the industrial market.

Last year refurbishing was the theme of the International Council of Shopping Centres European conference in West Berlin, although joint ownership and restrictive tenancy agreements had made progress hard to achieve.

This year, however, the idea is beginning to gather pace. Landlords are starting to see that under a fairly liberal central government planning stance on new development, they have to improve their investments or lose trade, rental growth and value.

Architects Leslie Jones and Partners are involved in eight retail refurbishment projects. Three are under way: the Doncaster Arndale Centre, for Prudential Assurance; Maidenhead Shopping Centre, for County and District Properties; and the High Chelmer scheme, at Chelmsford, for CIN Properties. A minor refurbishment at Margate has just received planning permission and four more are in the planning stage.

Mr Paul Stickney, of Leslie Jones, says there is a defensive quality about the Chelmsford job. At the southern end of the town centre there are competitive proposals for a new centre from Sainsbury and the Crudens, and a new road link to this centre would remove the locational edge which High Chelmer has enjoyed.

Hilmer Parker, acting for CIN, says the existing scheme

is typical of the 1960s style and that the environment is not of a high standard when compared with more recent schemes. The malls are open or canopied in parts, and elsewhere there is simple glazed covering.

Hints on retail renovation from Mr Stickney include:

● Timing: "You ought to have your refurbishment completed 18 months before rent review, so you can prove that trading has improved and adjust your rents accordingly."

● Minimum standards: "There was a lot of pressure a few

years ago from planning authorities to design closed centres. This is changing. People are accepting covered centres with the reintroduction of natural lighting."

● Comfort: "Adequate car parking, and an improvement on the concrete paving slabs, concrete benches and minimal planting of the past." However, air conditioning is virtually out.

● Comfort heating in winter and good ventilation in summer is the general rule," he says. The Prudential is working on centres at Doncaster and Uxbridge in West London.

Uxbridge is open, ugly, short of depth in a lot of shopping units and deficient on access from one of the two car parks. The Prudential funded the original scheme, developed in the early 1970s by Higgsdon Borough Council and Town & City Properties.

The centre is short of conventional anchor tenants and will have to create its own excitement. The Prudential is meeting the problem head on with its own development group heading the project team, advised by Fitch & Company as architects and David J. Peck Associates (part of the Fitch Shopping Consortium) as management consultants.

At Oxford, a concentrated, traditional town with central shopping restricted to its contained location, the Arrowcroft group is on its way towards a dominant position.

Last autumn it completed the 130,000 sq ft of shopping in its £40m Charendon Centre, which also incorporates around 30,000 sq ft of offices. Mr Leonard Eppel, chairman, says the skill in this development was seen in a six months period in which the company had to acquire something like 20 land interests, agree funding terms, and design the scheme.

The L-shaped development linking Queen Street to Cornmarket was not exactly new build, says Mr Eppel. "Most was an existing shop property, particularly the old Littlewoods department store. We moved them into the Woolworth's building, which we contracted to purchase, and subdivided the original store."

Arrowcroft has won the nearby Westgate Centre against fierce competition from funds and other developers. Westgate, opened in 1971 and designed in the 1960s, looks its age. It is proposed to upgrade and enclose the property, and make additions which could include a new department store.

Mr Eppel says: "Here we have a city where people have seen our standards, liked them and asked us to come in and do some more."

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Need for cuts in red tape

Housing
COLIN AMERY

OVER THE past 10 years or so there has been a marked decline in the amount of repair work to Britain's ageing housing stock. This has meant that only three-quarters of dwellings are in a satisfactory habitable condition, and of the remaining some 8 per cent are in serious disrepair, according to the 1981 English house condition survey.

The need for refurbishment is widespread and urgent, with particular priority for inner cities. It is not just decaying 19th century stock that needs work done however. A considerable quantity of more recent public housing is considered uninhabitable by many tenants.

Refurbishing is a vogue word for what architects used to call conversion work. With the decline of new-build it now forms a significant part of the workload of most practices. But it has taken the contracting industry and the professions a long while to come to terms with the idea that refurbishment is big business.

Residential refurbishment has taken many forms. The influence of preservation groups and the political acceptance of conservation has meant much refurbishment consists of the repair and reuse of historic buildings. Anything from a church to a riverside warehouse can be turned into a home and still be a financially viable proposition.

The elaborate network of grants and the growth of historic buildings trusts has encouraged the restoration of listed buildings.

Mortgages are still hard to come by on older buildings, however, and it is surprising that some sort of heritage funding to help buy listed buildings has not emerged.

But more funds are becoming available for the rehabilitation of the inner cities, and Mr Michael Heseltine, the former Environment Secretary, was successful in his encouragement of private developers and building societies to fund the refurbishment. This is a growth area for the professions and for schemes that promise to re-

store the cities and utilise the unemployed.

Methods of funding public housing are a labyrinth. The Government gives local authorities an annual housing budget calculated partly on need and partly on political expediency. Local authorities can spend this more or less as they like providing their proposals have to offer value for money.

This seems to mean that a refurbished house can be sold for more than it cost. But market values depend on the confidence that can be built up in an area as a whole—which is why the best rehab schemes cover groups of houses.

Crucial to the widening of the housing rehabilitation net is the role of housing associations. They are funded by the Government through the Housing Corporation and sometimes through local authorities. Annual bidding for funds ensures fierce competition when funds are low.

Schemes have to be approved at the level of sketch designs by the Housing Corporation. Often architects and housing co-ops follow the procedures set out in the Housing Corporation's "bible," The Scheme Framework Procedure Guide for Rehabilitation. Certain housing associations reach the point where their practice is considered to

be so good by the corporation that their work goes ahead without so much red tape.

How are housing standards maintained in the new and competitive world of refurbishment? The demise of the sanctioned standards for public housing in the Parker Morris Report of 1961 means that the field is much more open.

A later government report, Space in the Home (1967) was an attempt to set out minimum standards. Official standards can be both too generous and too restrictive. It is important in the present competitive world to allow for social changes and flexibility of demand. There is great need

for more single person accommodation. If it is not necessary always to apply space standards, refurbishments can be designed to allow for the interesting historical features of older houses. High rooms can accommodate gallery spaces, for example, and allow for an architecturally more satisfactory space.

It is often not realised how much the by-laws, health Acts, building regulations and statutory instruments control the shape of conversion. To reuse older buildings demands a much more flexible approach. It would be a mistake to imagine that the residential market consisted of average

families wanting to live in identical accommodation. There are several groups that have special needs—the elderly (a growing market), the disabled, the single and people looking for new forms of community life. When these groups are aligned with the buildings that need refurbishing it is possible to see that the variety of groups and needs fits the wide mixture of buildings available.

To facilitate adequate and desirable refurbishment there is still a need for fewer bureaucratic controls and a greater sense of participation in the decision making that will determine the future of our housing environment.

Refurbishing 4



New Concordia Wharf: a warehouse transformed into homes.

NEW CONCORDIA
WHARF

Catalyst for river bank revival

THE CLOSURE of London Docks and the abandonment of large Victorian warehouses left acres of potential housing space on the edge of the east side of London. Since the early 1970s several have been converted into homes—some more successfully than others.

The problem with the average Thames-side warehouse is that not all the rooms face the river and the buildings are often so deep that it is difficult to light the darker recesses.

One of the more suitable schemes is New Concordia Wharf in Bermondsey. This was bought in 1980 by Mr Andrew Wadsworth, the developer, after a year of talks with the owners, Town & City Properties.

Southwark Council gave consent for 60 flats, 20,000 sq ft of workshop/studio space, 3,000 sq ft of offices, a swimming pool, restaurant and sports facilities.

The grain warehouse, built in 1885, is listed Grade II and has been sympathetically restored by architects Pollard Thomas Edwards. Balconies have been added in front of what were the loading doors and they fit in well, looking slightly maroon. New windows have brick arches and glazing bars matching existing ones. A splendid but dangerous columnar chimney has been restored with the aid of an historic building grant.

It was necessary to secure fire protection for the cast iron structural columns—by spraying with intumescent mastic. Walls have been sandblasted and joists, beams and brick walls retained. Fire and sound insulation was created by pouring reinforced concrete over the floorboards.

Units have been offered or sold as shells for between £95,000 and £125,000. Unusual though it is to provide only shells, the project has been a sell-out and a catalyst for other developments.

A newly-formed consortium of Conrad Roche, Jacob Rothschild and Alistair McAlpine have plans for the neighbouring Butler's Wharf site, almost 12 acres of mixed development.

Meanwhile, Wadsworth's Jacob's Island Company has acquired the Courage Brewery site by Tower Bridge. Mixed development is planned and residential accommodation that will be sold as shells.

In a matter of a few years the enterprise of one young developer will have brought new residential as well as commercial life to a large slice of Thames-side London.

Colin Amery

Residents help transformation

BY COLIN AMERY

LEA VIEW FLATS, in Hackney, is a typical series of east London blocks that has been refurbished by the architects Hunt Thompson Associates so that it is more suitable for families of the elderly and the disabled. Two U-shaped blocks surround an inner courtyard and a community hall.

The flats are brick-built, five-storey blocks—typical of their date, and before refurbishment they had become very run down. There were no lifts and the mixture of family flats and single person beds was a poor use of the space.

The architects have made a point of having their office on the site throughout the conversion so tenants can discuss their needs with the designers. This has led to a daily "surgery" with the architects and has produced significant changes in the scheme.

The scheme will produce 184 flats and 64 maisonettes. Remarkably, most families will be living on the ground floor with their own access and gardens. New lifts make the top floors more accessible for the elderly while one side of the scheme has ramps to the first floor for young families.

"Mobility flats" are provided for wheelchair users and there are two types of sheltered housing for the old and the frail, including a warden.

Rearrangement of space in the blocks has provided more satisfactory family homes. Maisonettes have their own internal staircases and small outside patio gardens.

The car-clogged central courtyard is now a communal garden with plenty of trees. This sort of refurbishment is cheaper than new building and in this case has been achieved successfully with the collaboration of the tenants.

COUNTRY HOUSES

Change in way of life

LARGE country houses are a species of building frequently at risk. During the war many were requisitioned as hospitals or troop centres and survived only as damaged versions of their former selves. Meanwhile, the way of life they represented was gone.

There is a trend today towards division of these large houses into smaller units for sale. One successful architect, Mr Kit Martin, has specialised in this kind of work with his partner Mr Bob Weighton.

Cullen House in Banffshire, the former seat of the Earls of Seafield, dating from the 13th century but mostly from the 1600s, has become 15 residences. A series of rower houses occupy the magnificent main pile and the service courtyard has become several cottages.

Guntton Hall, Norfolk, a house by Matthew Brettingham with an elaborate service wing of the 1780s by Wyatt is now 20 houses almost all sold for between £30,000 to £125,000.

This great house had been partially ruined and so it was easier to divide. The service wing is composed of estate offices, game larders, and stables and these all make unusual individual houses.

Mr Martin always tries to preserve the major rooms in his refurbishments and to divide the houses vertically so that the least damage is done. He also tries to give everyone a bit of garden outside their own house.

His schemes also seem to generate a sense of community not unlike the original country house life—we tend to forget that these great houses were often full of people.

To turn country houses into homes is a much more agreeable and sensible use than the conversion of them into offices.

Colin Amery

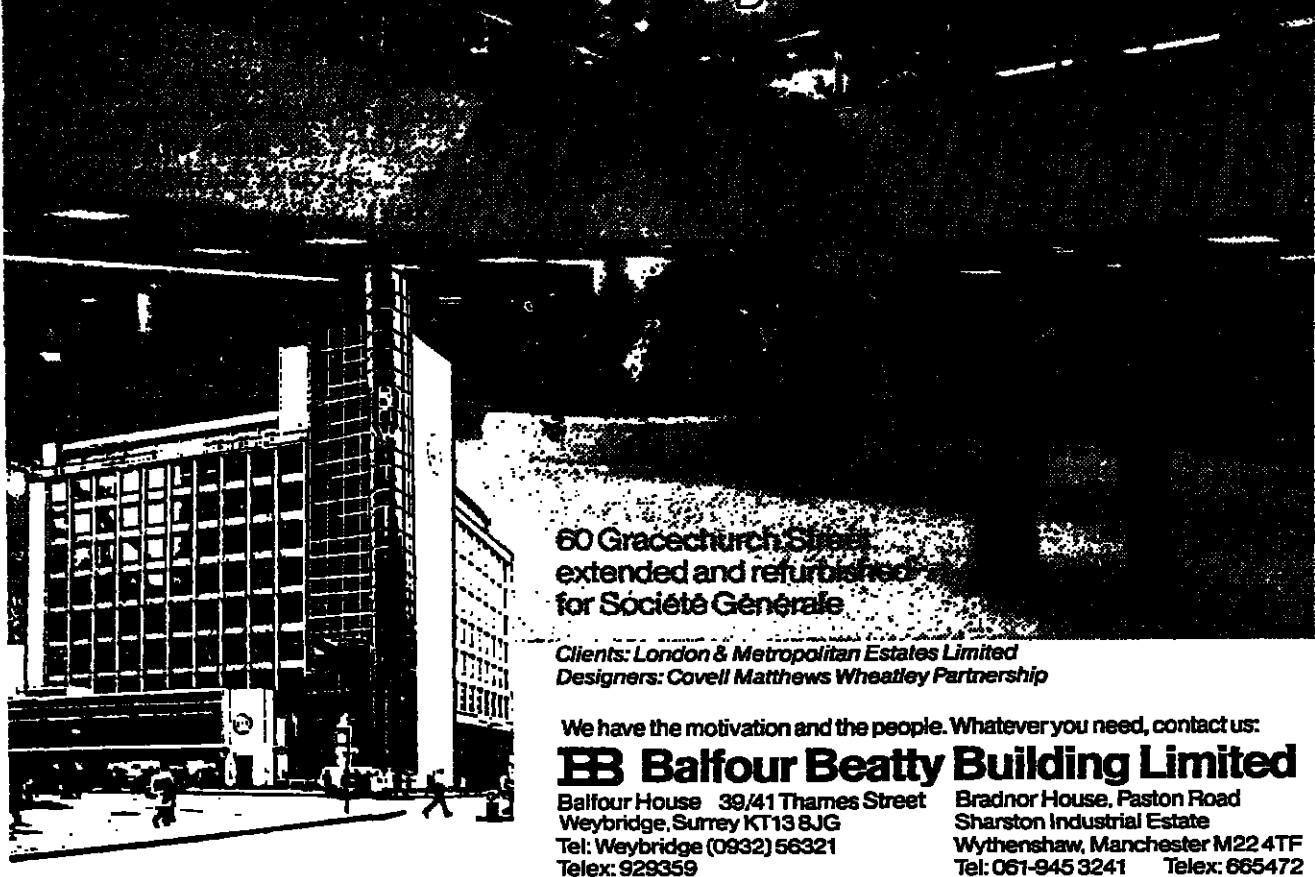


Lea View House: typical east London blocks



Cullen House, Banffshire: country seat converted to 15 homes

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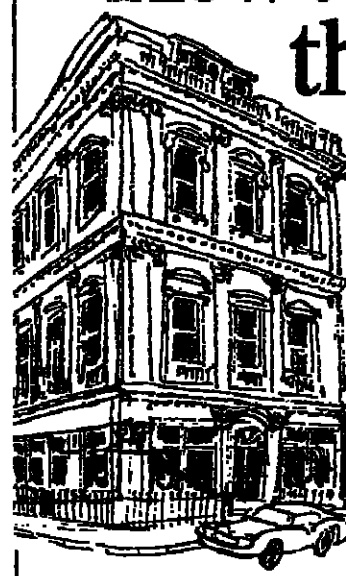
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Refurbishing 5

Risks deter private funders

Leisure

ALASTAIR GUILD

MANY OLDER inner city buildings lend themselves to re-use for leisure and tourism. The British Waterways Board, for instance, is marketing 470 listed buildings which were formerly warehouses, toll houses and stables that could make museums, pubs, clubs or centres for hire boats.

One of BWB's most extensive schemes is the upgrading of Gloucester Docks where it is attracting some interest from private developers. This follows the decision of the city council to relocate its civic centre there and a study which estimated that 250,000 people would visit the waterways museum proposed for a former warehouse.

Decaying

"The only way the board can carry through such schemes is by involving the private sector," says Mr Peter Gernold, its director of estates. However, he points to the difficulties in attracting large institutional funds to these projects because of the risks.

Ms Jenny Freeman of the Victorian Society says: "Historic buildings of real potential so often miss out on institutional funding because they are expected to conform with strictly limited financial criteria laid down with prime developments in mind."

"Institutions are being encouraged to take an interest in inner city schemes and this may result in a greater flow of funds to decaying areas. But there have been few co-ordinated large projects."

"One exception is Commercial Union's venture with Greater Manchester Council to convert Central Station to an exhibition centre and indoor sports arena, and the adjoining Great Northern warehouse into a hotel."

A variety of funds are being attracted to historic building conversion and refurbishment by the Scottish Development Agency's incentives. One example is the Eriggait fish market project in Glasgow. Another is a redevelopment of warehouses in the city which will provide a mix of houses, offices, leisure and entertainment.

SDA help could be in the form of a low interest loan, equity participation or share capital. The purpose is to

"leverage" private investment in urban areas.

In West Yorkshire, the county council hopes to attract private sector developers by opening its industrial sites budget to tourist enterprises.

Private sector developers will have access to a joint industrial and tourism development fund of nearly £3m. The council has set aside money for feasibility studies into refurbishing disused industrial sites. Most of the studies, each costing about £25,000, are on textile mills on the edges of towns and villages. At Sowerby Bridge, for instance, a study suggested a salmon canoe centre using the network of waterways underneath an old mill.

Landscaped

Help in developing former textile mills for tourist use is being sought from the Common Market, but so far the EEC has only agreed to finance manufacturing projects.

A competition to encourage new ideas for disused buildings has also been held in Manchester, where about one-quarter of the city's land and buildings lie vacant. "Manchester Once More" was organised by the chamber of commerce and industry with back-

ing from the private and public sectors in the north-west.

Top prizes went to projects for housing and leisure, a small marina and chandlery, and a scheme for an international home design centre set in a landscaped garden centre. The organisers hope that the quality of the 200 entries will attract investment by developers.

Local authorities and other organisations embarking on capital projects in the arts may be eligible for Arts Council funds to finance consultancy services. For 20 years the council also had a capital investment programme, but last year it decided to phase out capital funding whilst agreeing to meet all existing undertakings. This left it with commitments of just over £5m to be paid over four years to 72 projects.

One of the largest Housing Arts grants—more than £200,000—is being used in a £3m project to refurbish the Cambridge Corn Exchange and convert it into a conference and concert hall. In Newcastle, half the £400,000 to convert a quayside warehouse into a venue for live arts and entertainment has been grant aided by the Arts Council and the Newcastle/Gateshead Inner City Partnership.

NORTH BRITISH HOTEL

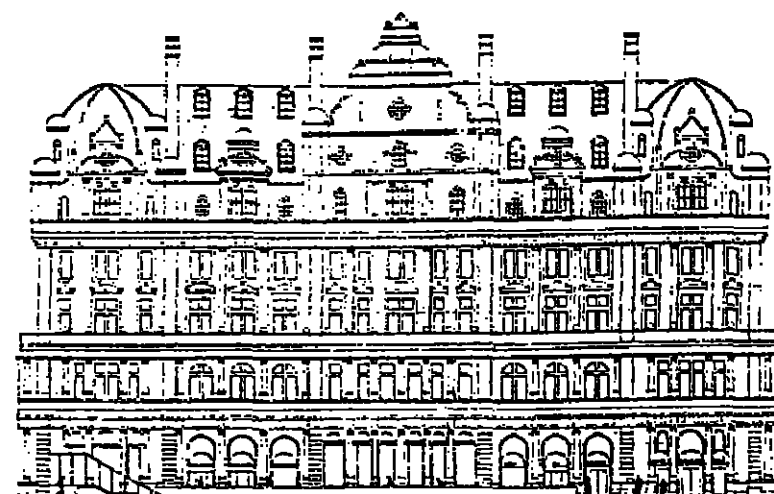
BY ALASTAIR GUILD

Five-star treatment up North

ABOUT A dozen well-established hotels stand near Edinburgh's Castle Rock. Most have, or will undergo varying degrees of refurbishment in efforts to raise their share of a growing tourist market.

By far the most dramatic plans are for the North British Hotel at the east end of Princes Street. It will close next summer for at least two years, losing an estimated £14m in revenue for its owners Glen-eagles Hotels, while a new interior is built behind the 1902 facade at a cost of £40m.

Mr Peter Tyrrie, managing director of Glen-eagles, justifies such a plan by pointing to the Caledonian at the other end of Princes Street, where the group spent more than £4m on refurbishment. "The Caledonian is running at 70 per cent capacity. Within two or three years of completion, we expect the same for the North British. We are aiming to attract Americans who will not travel to a destination unless five-star accommodation is available."



The North British: Victorian elegance over a new, street-level shopping pattern.

"We will also cater much more for the corporate and incentive markets, as increasingly companies provide travel within Europe as an incentive to their executives."

"Hotels should be far more interesting places. If you can hold the interest of guests and keep them inside the hotel, then you will succeed in attracting their money."

The key to that lies in the four basement levels, dating from the period when the complex was dependent on thousands of tons of coal delivered from the adjoining station siding. They will become a gymnasium and exercise

studio, sauna baths, solarium and swimming pool, cocktail bar, night club and World of Food restaurant. Shops will occupy much of levels two to seven, plans are for 35 shop units, five variety stores and five areas for department stores. Rents from the shops is meant to offset much of the redevelopment costs. The shops are not intended to compete with existing outlets on Princes Street, but will include such international names as Yves St Laurent and Chanel. Main public rooms will be on the second floor above Princes Street with reception, main restaurant and bar. A focal point will be the palm court with its waterfall. All bedrooms will be double, with lounges and private bathrooms. On the top floor they can be connected to provide suites with views of city skylines. The public will have access to the lower floors from the new Waverley Market shopping complex. Waverley steps will be covered to form an escalator and mail link to the market and adjoining railway station. Supply lorries will be diverted from the reception area to a bridge over the station. Three levels of car parking are planned over the railway tracks.

ST JAMES'S HOTEL

BY ALASTAIR GUILD

Restoring a touch of royal comfort

THE St James's close to Buckingham Palace was once Queen Victoria's guest house. Then, in 1902, a succession of hotel chains bought it, each finding the cost of conversion prohibitive. Taj International, the present owner, also had difficulties raising the £15m needed for a complete refurbishment, so the first contract awarded to John Leung was for £6.5m.

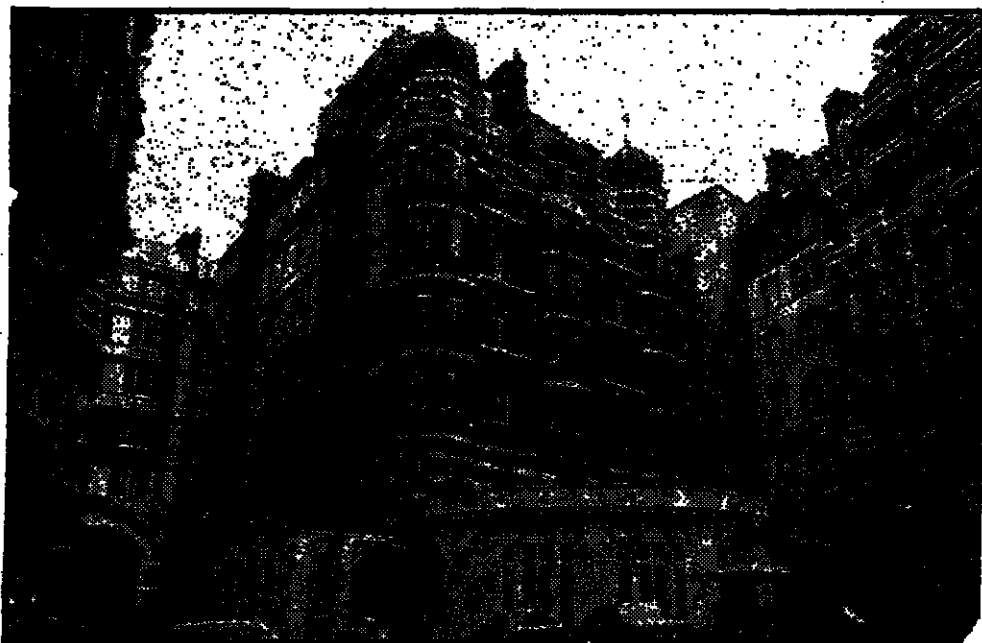
Taj subsequently raised the additional finance and now there will be a an ambitious upgrade due for completion in July 1986.

A big part of the cost is in repairing the structure. The fabric was far more unsound than indicated by the original survey. This has meant, for example, that almost three floors of brickwork on the back of one block had to be replaced.

"It is very difficult to bring Victorian buildings up to standard without carrying out major structural work," says Mr Chris York of John Leung.

The structure is load-bearing brickwork on spread footings with clinker breeze infill between steel joists. Water had got into the steel joists, causing them to expand and delaminate, leading to expansion of the brickwork. Effective joints are being replaced either by steel or reinforced concrete. This is expected to cost £1.5m.

Light wells have been removed in two of the blocks to give more corridor space. Taj is aiming for five-star standard. New build elements include the creation of a French



Queen Victoria's guest house has become a five-star hotel

restaurant, hotel concourse, a main entrance lobby and a first-floor banqueting hall for 150, as well as 400 guest rooms, 100 en-suite and 25 suites.

The ground floor of one block will have a businessman's centre, with dining area, kitchen, meeting rooms and offices. The business centre will have its own telephone exchange, word processors, telefax, teleprinter and computers with access to databases and

multilingual secretarial services. Estimated cost of the centre, including equipment, is £250,000.

A leisure centre including pools and treatment rooms is being housed on the ground and basement floors of a neighbouring block at a cost of £650,000.

The aim is to provide up-to-date facilities while restoring some of the architectural features. One brickwork frieze

represents the characters from A Midsummer Night's Dream and fire escapes which obscured the figures are being removed and water pipes rerouted within shafts built into the interior.

Taj is used to handling royal properties. Rambagh Palace, once the traditional residence of Jai-pur's royal family, is one of the company's showpiece hotels. Queen Victoria's guests would surely appreciate the transformation of St James's.

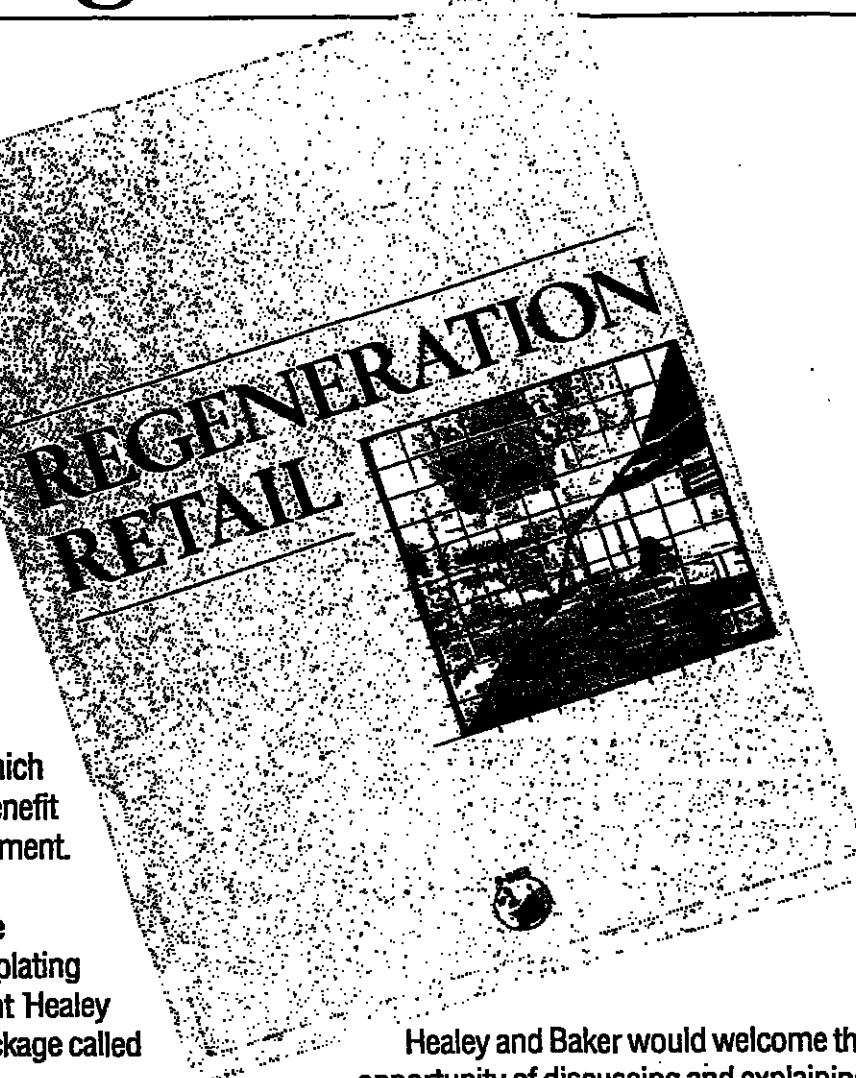
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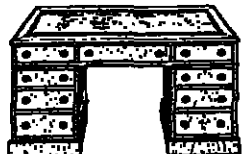


Healey and Baker would welcome the opportunity of discussing and explaining their approach to the subject of refurbishment and the Regeneration Retail service.

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Space planning

DAVID LAWSON

USE OF space in buildings has often tended to be haphazard and inefficient. Occupiers fitted themselves around nooks and crannies, creating factory production lines or laying out office desks which would stay in place for decades.

Stagnant incomes, rising rents and rates, and the demands of new technology have created new pressures for efficiency. For instance, the space taken by a waste-paper basket in the City can cost more than £50 a year, while manufacturers of high-tech products expect to be able to change processes overnight.

Space planners have found a wide role in refurbishing; analysing the needs of occupiers before buildings are fitted out, accommodating the

likely demands of the high-tech factory or electronic office, and generally squeezing more usable space out of old buildings.

Organised Office Designs, based in London, says it has increased space by at least 20 per cent in its projects, while one company has saved £1m by the conversion of an old brewery as a headquarters rather than put up a new building.

Many occupiers faced with rising rents think of relocation. But often there are hidden costs which can make a move less attractive, while existing buildings can be re-

modelled to meet needs, according to Space Planning Services, another London-based business.

It is handling the relocation of Blue Circle Industries from the 300,000 sq ft Portland House in Victoria to a new headquarters in Berkshire. Five years' effort was put into raising the standard of the 1960s block (working around staff in the building) before the decision to relocate in 1982. Since then the project has been aimed at producing a lettable property, extending the work to sub-basement floors as tenants moved out.

"Our refurbished space has been let in a slow market where it otherwise would not have," said Mr Tony Every-Brown, Blue Circle general manager for property development.

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Refurbishing 6

Vacant space flood sets new challenge

THE DECLINE of traditional industry is the main cause of the large amounts of vacant factory space in the UK. The switch from heavy manufacturing industries that thrived in the 19th century to more streamlined high-tech industries of the 1980s has meant a big change in the sort of plant that is needed: a main cause for the 160m sq ft of empty industry and warehousing in the country.

Several elementary factors influence the shape of factories and impose demands on any kind of refurbishment. New engineering techniques require horizontal rather than vertical flow lines in the production process so single-storey industrial buildings are needed rather than the multi-storey mills of the past.

The density of industrial sites is also lower because of the need for generous car parking space and large turning circles for heavy goods vehicles. Some of the more advanced business parks also provide landscaping. Changes in industrial location have meant the decline of the older industrial centres accompanied by the growth of the science park and rural manufacturing areas.

This means the older industrial areas have most redundant industrial buildings. Those suffering from the decline of shipbuilding, steel production and textile industries are particularly hard hit and are likely to be eligible for financial aid from the "non-quota" section of the European Regional Aid Fund for refurbishment. But viability of refurbishing often has more to do with location than with quality. With old buildings concentrated in more depressed areas, rents are often too low to justify conversion. Overall tenant demand is usually lower than in regions like the south-east.

There are honourable exceptions, however, such as Dean Clough, the former Crossley Carpets headquarters in Halifax, where more than 1m sq ft of Victorian mill has been converted into space for 100 small businesses at rents of about £1 a sq ft.

The changing industrial structure means that new industries need special services, trained

Industry

COLIN AMERY

staff and often carefully controlled environments — for example, dust-free premises for the manufacture of the microchip.

Growth of service-oriented business has shifted demand towards flexible premises. Employment is growing in health care, electronics, telecommunications, energy and transportation industries. Industries based on information technology seem to cut across many traditional boundaries, however, because they manufacture a product—such as film, video, software, data and publishing—but demand highly serviced locations. These are the sort of tenants for inner city and refurbished industrial space.

Demands that apply to the refurbishment of the average industrial building include:

- Better access and car parking.
- Improved ventilation, heating and sometimes air-conditioning.
- Mezzanine floors to utilise large spaces. It is often necessary to sub-divide larger older buildings to provide a series of independent smaller units.
- Inter-war and post-war premises need considerable up-

grading. Recladding, new roofs and provision of services are the principal needs.

● The need for a fire certificate and meeting planning requirements impose another set of demands.

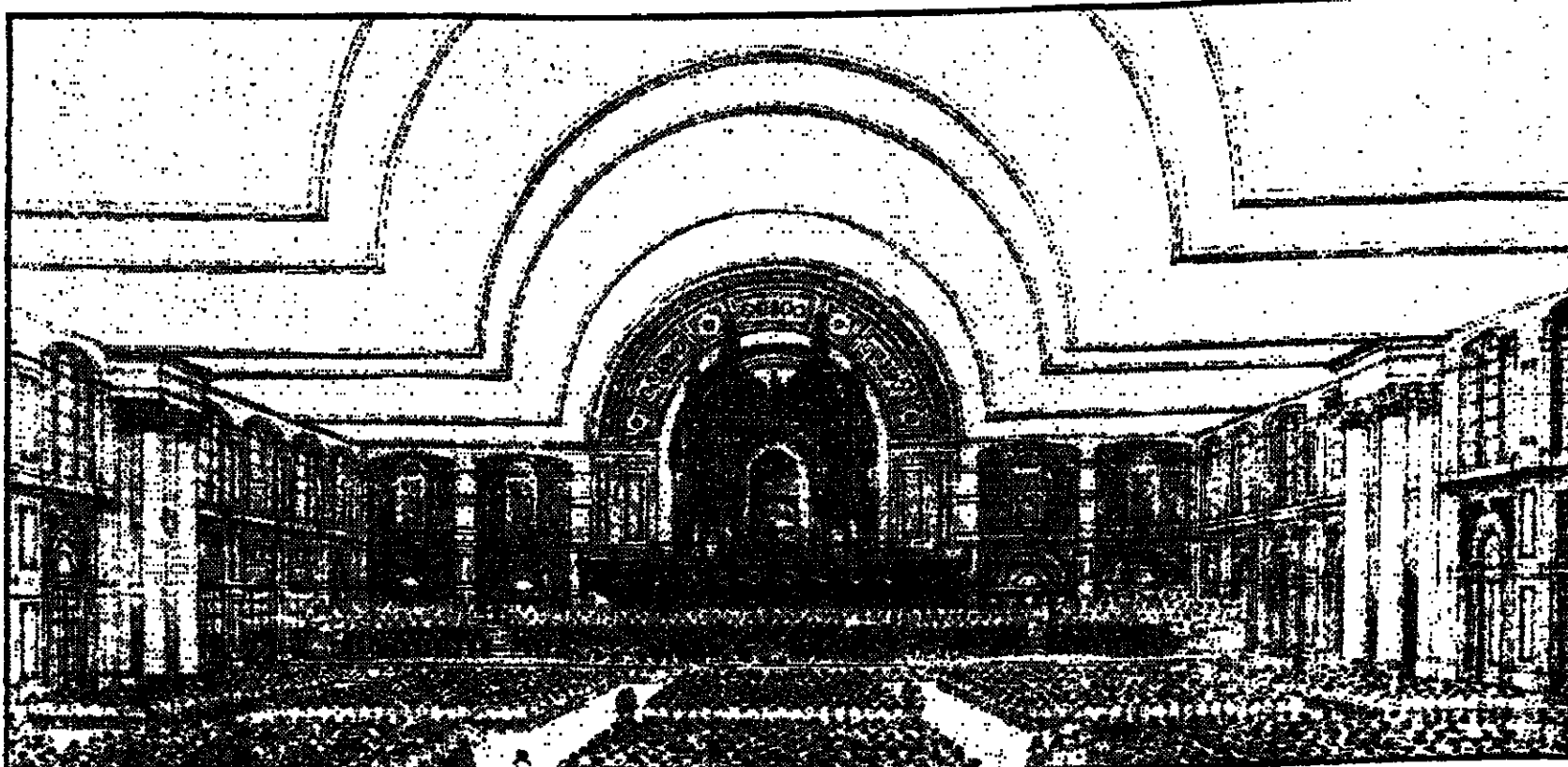
● It is also important to improve the industrial image. This means recognising the best architectural features of an older building, emphasising them and perhaps upgrading the landscaping.

● The workforce, too, usually demands much better basic conditions and facilities. Some successful examples of industrial refurbishment include the conversion of warehouse space in London's Camden Town to create the new premises for TV-am by architects Terry Farrell Partnership. This has transformed an older building, but in the process rendered it unrecognisable.

The conversion of older industrial premises into the Aston Science Park in Birmingham by the city architect's department has been extremely successful. For a conversion cost of £1.6m, some 50 units have been provided for high-tech companies in a joint venture between Birmingham City Council, Aston University and Loyds Bank.

A central mall and mezzanine bridge two old buildings. Units can be varied and combined in different ways to suit large or small businesses. Some 27 acres will be refurbished for this pioneering job-creation scheme. Conversion for mixed use can often prove a solution for industrial premises particularly in city centres, although this is harder to fund from institutional sources.

In London there are several examples, such as Dockland, Covent Garden and Clerkenwell, where a mix of small businesses share old warehouses.



ALEXANDRA PALACE

BY ALASTAIR GUILD

People's Palace rebuilt from ashes

A BLAZE in 1980 could have spelled doom for Alexandra Palace. But as in 1873, when it was first destroyed by fire, the North London "People's Palace" is being restored and many of the Victorian features put back by Dr Peter Smith, project architect, and a management contractors Taylor Woodrow.

By 1988 it should be back in business, providing a modern range of leisure and recreation. Work will have cost £25.5m, with £18.5m of that met by insurance money and £8.5m from the Greater London Council.

The Palm Court will give

most visitors their first impression of the new Alexandra Palace. It is being restored to Victorian appearance while providing modern facilities. The roof has been glazed and the smaller domes will be replaced by translucent, silico-coated fibreglass. The floor under the main dome will be decorated with tiles modelled on Victorian designs.

This courtyard, built as a conservatory for exotic plants, will once again contain fountains and 59-ft palm trees. Victorian-style lighting, statues and seating are planned, with specialist plants from Kew Gardens. A ban-

queting room for 250 and a bar will be located just off the Palm Court.

Old prints emphasise the former 12,000-seat capacity of the Great Hall. It will be covered with a free-span roof some 196 ft by 557 ft. The absence of columns which supported the old roof will provide 70,000 sq ft of unimpeded floor space. Tennis tournaments, a \$25-ft-long running track and possibly an ice rink are planned. Seating capacity for public events will be 7,500.

The internal ceiling will be lined with silico-coated glass-fibre fabric hung in the shape of the old nave-and-aisle appearance and on the scale

of a cathedral. A fund has been set up to raise \$750,000 to restore the Willis organ, which was driven by two steam engines.

The new concrete basement will house the boiler room, beer store and services room. Its kitchen and restaurant will cater for 400. Work is progressing at the southern end of the hall to make the substructure to support the new floor above and accommodate heavy vehicle loading.

Work has also started on washing and sandblasting Victorian brickwork in the detailing either moulded from originals and recast or made-up by plasterers using traditional techniques.

The east wing will have a public ice rink bar, snack bar and changing rooms, boxing club, weight-training and general fitness rooms. A drama school and television museum are also planned.

The aerial installed for the first television transmissions in 1935 still dominates the east tower and will be retained.

A Victorian music hall will be reopened as a recording studio and may be transformed into a concert hall. The east entrance facade and the south-west tower have been restored to their 1875 conditions, with architectural west wall, which will hold concerts and exhibitions.

GLASGOW BRIGGAIT

BY ALASTAIR GUILD

Private and public cash restore landmark to life

THE BRIGGAIT, once the commercial heart of Glasgow, had long been in decline. Now public and private sectors have joined forces to inject new life into one of the area's outstanding landmarks, the city's 19th century fishmarket, with its four large halls.

The Bridgegate Trust and Prudential Assurance formed a company to carry out the refurbishment. The market's wrought iron frames, supporting a vaulted roof with expansive areas of glass, give it the feel of some large 18th century exhibition centre or railway station. The 17th century steeple is an added attraction.

The market, empty since 1977, suffered serious deterioration and the trust was formed in 1981 to acquire the premises and convert them into a specialist market hall. Starter businesses will be encouraged and, it is hoped, 100 jobs created.

The trust's council, made up from public bodies such as the Glasgow council and the chamber of commerce, persuaded the Scottish Development Agency to fund a feasibility study of the project.

The total cost of conversion is £2.5m more than half contri-

buted by the Prudential. Mr George Dunlop, chairman of the Briggait Company, says the Prudential accepts that it will receive no initial return on this investment. This means the venture is not saddled with a fixed interest return or impossible debt burden. The Prudential nominates three of the six Briggait directors.

Grants are being provided by the Scottish Development Department, Glasgow and Strathclyde councils. The Scottish Development Agency is providing finance under its Local Enterprise Grants for Urban Projects (Leg-Up) scheme. Mr Dunlop believes this is the first such deal between the public and private sectors.

Phase one has included renewal of roof glazing and structural steel repairs at a cost of £450,000.

The main part of the building, completed in 1873, is a galleried hall with stone facades to Clyde Street and Bridgegate. The new theme for the hall's ground floor is a street or courtyard with 13 shop units on pedestrian routes linking access from Bridgegate and Clyde Street.

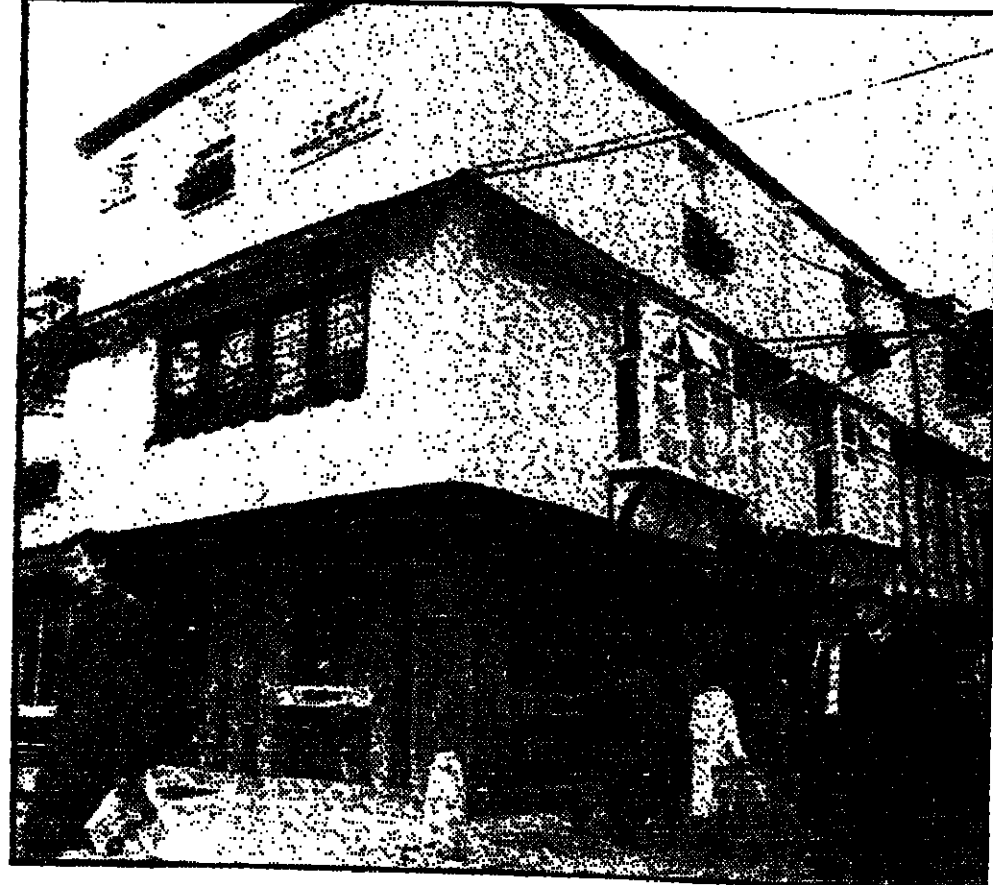
The floors are being replaced with exposed aggregate paving

slabs. It is hoped to salvage the original signboards for tenants, who will be responsible for fitting out their own units, complying with a design guide. They will also have an independent electricity supply so that they can install extra display lighting. The hall will be heated by ducts suspended from the main structure, and high level lighting will illuminate the courtyard.

The Victorian cast-iron balcony running round the hall has been retained. The public will be attracted from the lower concourse by a food court seating 120, a wine bar, and food shops. The 13 units around the perimeter of the gallery will show craftsmen at work. A craft centre is also envisaged.

On the ground floor a central food hall with 12 smaller units will be aimed at new and small businesses, including speciality foods. The floor will have glazed tiles for ease of cleaning and maintenance. The larger units will be offered as shell units.

A lively market scene, is planned, with further colour from street entertainment in the central concourse, suspended banners and signs and brightly painted service ducts.



A little traditional support

The foundation of a former restaurant in Canterbury go back to the Roman period, the cellar is 12th century and the rest of the double-jointed, timber-framed building was erected over the three centuries to 1468. Renovation and restoration works by Wiltshire

for Liberty last summer revealed major Roman remains in stratified deposits. The building was subsidising dangerously, and the need to support it using traditional timbers and other materials rather than steel accounts for the high £2m project cost.

Mira Bar-Hillel

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